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Report to Congressional Requesters

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LIABILITY INSURANCE

Effects of Recent "Crisis" on Businesses and Other Organizations

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The Honorable James J. Florio
Chairman, Subcommittee on Commerce, Consumer
Protection, and Competitiveness
Committee on Energy and Commerce
House of Representatives

The Honorable Henry A. Waxman
Chairman, Subcommittee on Health
and the Environment
Committee on Energy and Commerce
House of Representatives

In response to your requests and later discussions with your offices, we have developed information on the availability and affordability of liability insurance for U.S. businesses and other organizations. Much of the current interest in federal tort reform, federal regulation of the insurance industry, and other measures is founded on insurance availability and affordability issues, which arose during the recent liability insurance "crisis." The areas we examined include the cost, sources, and provisions of liability insurance coverage that businesses and other organizations obtained during 1985 and 1986, two of the "crisis years." The report also includes information from state insurance departments and the insurance industry.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of its issuance. At that time, we will send copies to interested parties and make copies available to others on request.

Lawrence H. Thompson

Lawrence H. Thompson
Assistant Comptroller General

Executive Summary

Purpose

How widespread was the recent liability insurance "crisis"? How much did insurance premiums increase? Were reports of skyrocketing premiums, refusals to insure, and abrupt policy cancelations representative of the experiences of many businesses and other organizations or applicable only in a relatively few instances? A lack of concrete answers to these questions has hampered the Congress's efforts to address concerns about the availability and affordability of liability insurance.

The Chairman of the Subcommittee on Commerce, Consumer Protection, and Competitiveness, and the Chairman of the Subcommittee on Health and the Environment (both Subcommittees are part of the House Committee on Energy and Commerce) requested that GAO provide them with information on the liability insurance market—-its regulation, profitability, and other issues. This report, one of several, presents information for 1985 and 1986 on the following aspects of liability insurance: (1) availability, (2) cost, (3) coverage adequacy, and (4) state regulatory actions.

Background

For many U.S. businesses, nonprofit organizations, and myriad other organizations, the presence or absence of liability insurance determines whether a business or other organization will survive if a costly liability-related incident occurs.

Generally, to purchase insurance, an organization contacts an insurance agent or broker (see ch. 2 for distinction). Insurance companies are regulated by the 50 states, which monitor solvency; to a varying extent, the states also monitor consumer issues, such as availability, affordability, policy terms and conditions, and insurance rates.

To obtain information on the availability and affordability of liability insurance, GAO surveyed the buying experiences of a random sample of members of two national associations representing large and small organizations. The membership of the Risk and Insurance Management Society, Inc., which represents large organizations, includes 90 percent of the Fortune 1,000, as well as hospitals and universities. The membership of the National Federation for Independent Business, Inc., which represents small organizations, includes mostly small, owner-operated businesses (see ch. 2). GAO also surveyed a sample of insurance agents and brokers from three national associations: the Professional Insurance

Agents of America, Inc., the National Association of Professional Surplus Lines Offices, Ltd., and the National Association of Insurance Brokers (see ch. 2). These associations' members represent different kinds of insurance companies (see app. I).

In addition, GAO obtained information from six states (Arizona, California, Illinois, Massachusetts, New York, and Pennsylvania) on actions taken to address liability insurance availability and affordability issues (see ch. 3).

Results in Brief

According to the buyers, agents, and brokers that GAO surveyed, most of the frequently purchased types of liability insurance were available in 1985 and 1986. With the exception of environmental liability, few reported either cancelations (before the end of the policy term) or nonrenewals (at the end of the policy term). Among the buyers, few reported either (1) going completely without coverage perceived as needed or (2) insuring in other ways, such as through self-insurance. But buyers did report that their liability insurance needs were not met as adequately in 1986 as they had been in 1985 (see ch. 2).

Despite the relative availability of liability insurance coverage, respondents to GAO questionnaires reported that costs increased for the types of coverage purchased most often. Larger organizations experienced much larger premium increases than did smaller organizations. Despite significant premium increases, however, the cost of liability insurance as a percentage of annual gross receipts was relatively small.

According to insurance agents and brokers that GAO surveyed, policy provisions defining policyholders' responsibilities often changed so as to make the policyholder bear more of the cost of potential liability-related incidents. Buyers reported that despite increased costs, the amount of coverage purchased generally remained the same or decreased.

GAO's Analysis

Insurance Was Available to Most Insurance Buyers

Most of the respondents to the buyers survey maintained liability insurance coverage throughout 1985 and 1986. Agents and brokers reported that few of their clients were unable to find any coverage in either year.

Only one type of coverage—primary (first-layer coverage, up to a specified amount) environmental liability—appeared to present a severe availability problem; according to nearly three-quarters of the Risk and Insurance Management Society respondents, this type of coverage was needed, but they were not able to purchase it (see ch. 2).

Adequacy of Some Types of Coverage Declined

Although coverage (except environmental liability) was generally available to large organizations, the percentage of large organizations saying that their insurance needs were met in 1986 declined by at least 12 percentage points, compared with 1985 for 6 of 10 types of insurance. Four of these six were excess coverage (an additional policy or policies above the primary layer) types.

Cancelations and Nonrenewals Varied With Type of Coverage

The more frequently purchased types of coverage were relatively unaffected by policy cancelations or nonrenewals. However, cancelations and nonrenewals did occur for some types of coverage purchased less often. For example, according to over 23 percent of the respondents to one GAO questionnaire, directors' and officers' liability coverage was either canceled or not renewed; according to nearly two-thirds, at least one policy was not renewed for environmental liability coverage.

Significant Premium Increases in 1986

From 39 to 72 percent of the buyers reported paying more for less, or the same, coverage in 1986, compared with 1985. For many, policy limits or deductible amounts remained the same, even though premiums increased. Where there were changes, however, they were almost always to the buyers' detriment—limits decreased, deductibles increased, or both. The experiences of the agents and brokers are consistent with those of the buyers.

For the four types of coverage about which GAO was able to collect sufficient cost data (primary commercial general liability [CGL], primary commercial auto liability, primary directors' and officers' liability, and excess CGL), policyholders paid more in 1986 than in 1985. Depending on the type of coverage, large organizations experienced median premium increases of 43 to 214 percent for coverage in 1986.

Premiums Remained a Small Percentage of Gross Receipts for Respondents

Although premium increases were large, insurance costs represented a relatively small proportion of responding large organizations' annual gross receipts; these rose, on average, from .3 percent of gross receipts in 1985 to .6 percent in 1986. Given this small percentage, however, it seems unlikely that (1) increased insurance costs could have had a great effect on the costs of goods and services provided by the large organizations or (2) the viability of the organizations was threatened. GAO's sample, however, was designed to provide information about the experiences of a broad range of organizations; the sample would not have identified specific pockets of organizations that might have experienced such problems.

The respondents of small businesses—the only small organizations we surveyed—like the respondents of large organizations, reported few problems in obtaining coverage, but, of 57 respondents, 33 paid more for 1986 coverage compared with 1985. Median premium increases for primary CGL (14 percent) and primary commercial auto liability (8 percent) were less than increases paid by large organizations. Of the 33 respondents with increased premiums, 19 had no change in deductibles or limits, across all types of coverage. As a percentage of annual gross receipts, the premiums for small organizations respondents rose from 1 to 1.2 percent between 1985 and 1986.

States Addressed Both Availability and Affordability Issues

GAO obtained information from six state insurance departments, which took a variety of legislative and regulatory actions. All adopted a Market Assistance Program (MAP)—a program to assist buyers in locating insurers offering coverage. Because of the decreasing numbers of consumers requesting their assistance, most of the department representatives believed that MAPs have been successful. Although data from the states show a decline in the number of requests for assistance in obtaining coverage, the data do not provide information that would allow an assessment of MAPs themselves as crisis-easing mechanisms.

Recommendations

This report includes no recommendations.

Agency Comments

GAO made copies of the draft report available to the associations participating in the surveys, as well as the Insurance Information Institute and the Insurance Services Office. The associations' comments were included as appropriate.

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Glossary

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Abbreviations

CGL	commercial general liability
GAO	General Accounting Office
III	Insurance Information Institute, Inc.
ISO	Insurance Services Office, Inc.
JUA	Joint Underwriting Association
MAP	Market Assistance Program
NAIB	National Association of Insurance Brokers, Inc.
NAPSLO	National Association of Professional Surplus Lines, Inc.
NFIB	National Federation for Independent Business, Inc.
PIA	Professional Insurance Agents of America, Inc.
RAA	Reinsurance Association of America, Inc.
RIA	reciprocal insurance agreement
RIMS	Risk and Insurance Management Society, Inc.
SIC	standard industrial classification

Chapter 1

Introduction

Since 1985, businesses and other organizations have reported problems in getting adequate, affordable liability insurance. Accounts of skyrocketing prices, policy cancelations or nonrenewals, and scarce or nonexistent coverage have become routine. Among the groups that have been the focus of attention in this insurance "crisis" are physicians, day care centers, nurse-midwives, directors and officers of corporations and nonprofit organizations, municipalities, and hazardous waste disposal operations. The plight of physicians and various kinds of hazardous waste operations in obtaining liability insurance have been the topic of three recent GAO reports.[1]

The purpose of this report is to provide information concerning the depth and breadth of the problems of securing liability insurance for a broad range of businesses and other organizations. This report is one of several in response to a request for information concerning various aspects of the liability insurance market from the Chairman, Subcommittee on Commerce, Consumer Protection, and Competitiveness, and the Chairman, Subcommittee on Health and the Environment (both Subcommittees are part of the House Committee on Energy and Commerce). Other reports in response to this request have dealt with changes in liability insurance policies and practices, insurer insolvency, and trends in industry profitability.[2]

Background

The concerns of buyers about the cost and availability of liability insurance during 1985 through mid-1987 captured the attention of lawmakers, the media, and the insurance industry itself. The situation was generally viewed as the worst "crisis" in recent memory because, according to both insurance industry and nonindustry sources, it affected nearly every segment of the U.S. economy.

Previously, the focus of insurance problems had been primarily on broad types of coverage, such as product liability (in the mid-1970's) or medical malpractice (in the late 1970's). Beginning in 1985, however, state task forces and House and Senate committees heard testimony

[1] See Superfund: Insuring Underground Petroleum Tanks (GAO RCED-88-39, Jan. 1988); Hazardous Waste: Issues Surrounding Insurance Availability (GAO RCED-88-2, Oct. 1987); and Medical Malpractice: A Framework for Action (GAO HRD-87-73, Sept. 1987).

[2] See Statement of William G. Anderson, Assistant Comptroller General, General Government Program, General Accounting Office, before the Subcommittee of Commerce, Consumer Protection and Competitiveness, Committee on Energy and Commerce, House of Representatives, April 21, 1987; Liability Insurance: Changes in Policies Set Limits on Risks to Insurers (GAO HRD-87-18BR, Nov. 1986); and Tax Policy: Financial Cycles in the Property Casualty Industry (GAO GGD-86-56FS, Apr. 1986).

from specific groups, such as day care centers and municipalities, about their inability to get adequate, affordable liability insurance. Their testimony, in addition to numerous articles in journals and periodicals, also included mention of extremely large premium increases—in some cases, 300 percent or more.

In response to the general concern about insurance unavailability and premium increases, the industry and its supporters cited unprecedented losses in recent years as justification for their actions. According to the industry, actions were needed to increase insurance prices and to return the industry's profitability to an acceptable level. Industry critics, however, have argued that the industry has overstated increases in claims costs and has not adequately justified the size of premium increases.

The federal and state governments have responded in several ways. For example, the Product Liability Risk Retention Act of 1981 was enacted to reduce the problem of the rising cost of product liability insurance. It preempted state laws to enable product manufacturers and sellers to purchase insurance on a group basis at more favorable rates or to self-insure through insurance cooperatives called risk retention groups. Later, the Congress passed the Risk Retention Act Amendments of 1986 to expand the scope of this preemption to enable purchasing and risk retention groups to provide not only product liability insurance, but all types of liability insurance. State legislation is discussed in chapter 3.

Market Participants

Organizations rely on liability insurance coverage to protect themselves against the cost of accidents and other unforeseen events. Insurance agents and brokers assist organizations, as insurance buyers, in getting adequate, affordable coverage. Insurance companies assess the risks posed by an organization's activities and, for a price, agree to pay for losses occurring within defined policy provisions. State insurance departments regulate insurance companies by (1) monitoring solvency, (2) ensuring that rates are adequate, and (3) attempting to see that coverage is generally available. Some states directly regulate rates to assure that rates are not excessive; others rely on market competetion to prevent excessive rates.

Limits and Deductibles

Typically, general liability insurance policies limit the amount the insurance company—insurer—will pay for each claim for (1) each person (a per-occurrence limit) or (2) the total amount for the policy period (an aggregate limit). This is a ceiling (an upper limit) on coverage. There is

also often a floor (the deductible) on coverage. This is an amount the insured must pay before insurance company liability starts. Thus, insurers are liable for losses over the deductible amount and up to the aggregate limit.

Primary and Excess Coverage

If a buyer desires or is required by law to carry insurance with higher limits of coverage than a single insurer is willing to offer, the buyer may purchase coverage from more than one insurer. This is called layering. The first policy, termed the primary coverage, will pay legitimate claims up to the policy limits. The additional policy or policies will pay a specified amount toward any legitimate claim that exceeds the limits of the primary policy. This additional coverage is termed excess, as it covers claims in excess of the limits of the primary coverage.

Reasons for Fluctuations in Insurance Rates and Availability

Liability insurance rates are generally dependent on insurers' prospective assessments of risk. For rate purposes, insurers usually classify consumers into distinct classes, each representing a different level of risk. For example, insurers providing insurance to governmental entities may group municipalities and counties into separate risk classes. Rating services, such as the Insurance Services Office, Inc. (ISO),[4] assess the expected claims experience of large numbers of insurers; on the basis of this information and its projections of future claims, ISO suggests actuarily calculated rates by risk class. These advisory rates are distributed to members of the services and are part of the information insurers use to arrive at premiums. Each insurer may modify advisory rates to reflect an individual buyer's risk experience or other variables.

The potential return on insurers' investments can also influence rates, especially for types of insurance with "long tails" (that is, where a considerable period of time may elapse between the receipt of the premium and payment of a claim). When the return on an insurer's investment of premium dollars is high, premiums charged can be less than the actuarily calculated rate and still maintain a reasonable profit. During periods of relatively high investment returns, insurers sometimes intentionally charge significantly less than the actuarily calculated rate to encourage sales; the insurers assume that any premium shortfalls will be covered by investment income generated. This practice is termed cash flow underwriting. If insurers' investment income drops or losses

[4] ISO is a nonprofit national organization that collects, stores, and disseminates data for 1,300 member organizations. ISO uses the data to develop advisory rates and forms.

are greater than expected, premiums must increase to restore profit levels. If these two phenomena coincide, the premium increases may be dramatic. Rates are also affected by the overall availability of coverage. When coverage is available from many sources, competition tends to hold prices down; when there is little competition, coverage may be costly.

The amount of insurance an insurer can offer for sale is dependent on the size of its policyholders' surplus (the excess of assets over liabilities) and the types of coverage sold. If insurers begin to lose money, their capacity to write insurance may decline, and they may have to reduce the amount of insurance offered.

Cycles of Profitability

Insurance rates have long followed cycles, rising as insurers move into less competitive and profitable periods and falling as profits and competition increase.[1] In 1978, insurance rates were relatively low, investment income was high, competition flourished, and insurance was available. In 1984, however, the cycle reversed sharply.

According to ISO, large rate increases followed the 1984 reversal for two reasons: (1) claims losses increased significantly and (2) insurers' investment returns dropped. As a result, insurers raised premiums. According to ISO, part of the rate increase was needed to restore the proper relationship between premiums charged and actual levels of risk.

The extent to which the various factors have affected rates is highly controversial and outside the scope of this report. Our main focus is (1) the breadth and depth of the insurance availability and affordability problems during 1985 and 1986 and (2) how businesses and other organizations obtained insurance coverage during this time.

Objectives, Scope, and Methodology

To gather information on the availability and affordability of liability insurance, taking into consideration the variety of perspectives from which these issues can be viewed, we (1) surveyed 450 large and small businesses (as defined by annual budget size) and other organizations, as well as 502 insurance agents and brokers, (2) examined actions taken in six states to address availability and affordability problems, and (3)

[1]See our Tax Policy: Financial Cycles in the Property Casualty Industry (GAO GGD-86-56FS, Apr 1986).

interviewed representatives of 15 companies—10 insurance and 5 reinsurance (the assumption by one insurer, the reinsurer, of all or part of a risk undertaken by a second insurer). For background information, we also spoke with representatives from insurance industry associations, including ISO, the Insurance Information Institute (III), and the Reinsurance Association of America (RAA).

Coverage for Businesses and Other Organizations

We used two associations as a basis for selecting buyers, that is, businesses and other organizations, to survey—the Risk and Insurance Management Society, Inc. (RIMS), and the National Federation for Independent Business, Inc. (NFIB). We chose associations for our sampling frame because a list of liability insurance consumers was not available.

RIMS is an association of corporate risk managers—those responsible for obtaining insurance and using other techniques to minimize the risks associated with about 3,800 member organizations. According to RIMS staff, member organizations include more than 90 percent of the Fortune 1,000 companies (see app. I); consequently, RIMS membership constitutes an excellent profile of large U.S. businesses. Member organizations also include about 200 public and nonprofit institutions, such as hospitals, universities, and service organizations. Throughout this report we refer to RIMS members as large organizations.

NFIB is an association of approximately 500,000 businesses, from small to medium in size, with sales ranging from less than $100,000 to about $1 million. According to NFIB's research arm, the NFIB Foundation, membership is generally representative of the small business population in the United States and offers one of the best sampling frames currently available for small businesses. Throughout this report we refer to responding NFIB members as small businesses (the only small organizations we surveyed).

We also surveyed a sample of agents and brokers—members of the National Association for Professional Surplus Lines, Ltd. (NAPSLO), the Professional Insurance Agents of America (PIA), and the National Association of Insurance Brokers (NAIB). Again, we used associations' memberships because identification of all agents and brokers was not possible. These associations were selected because their members interact with insurers in different ways to obtain insurance coverage for their clients (see app. I). Throughout this report, when we refer to agents and brokers, we mean only the responding ones.

For the buyers survey, we collected data on eight types of primary and excess coverage:

- commercial general liability (CGL) for claims arising from injuries or damage related to the operation of a business, including those from property, manufacturing operations, contracting operations, and sale or distribution of products;
- product liability for claims associated with goods manufactured, sold, handled, or distributed by the policyholder or others trading under his or her name;
- commercial auto liability for claims resulting from the ownership or operation of a motor vehicle;
- directors' and officers' liability for protecting the policyholders' directors and officers from liability for wrongful acts, errors, and omissions arising from their organizational activities;
- professional liability for claims arising from a professional's faulty services or failure to meet the standard of service expected under the circumstances;
- public officials' liability for claims arising from the actions of a public official, such as a school administrator or an officer of a local government;
- environmental liability for claims relating to loss, damage, or destruction of natural resources arising from policyholders' operations; and
- other (as described by the respondent).

The buyers survey data did not yield enough observations for us to report information for each type of coverage. For large organizations, we report survey information for six types of primary coverage (all except public officials' liability and other) and four types of excess coverage (CGL, product liability, commercial auto liability, and directors' and officers' liability). For small businesses, we report survey information for three types of primary coverage (CGL, product liability, and commercial auto liability).

We collected similar information through the agents and brokers survey, with two exceptions: (1) we did not include public officials' liability coverage, and (2) we grouped all types of excess coverage into one type (all excess). We collected sufficient data to report results for four types of coverage, including primary CGL, primary product liability, primary commercial auto liability, and all excess coverage.

In July 1987, we mailed a questionnaire to 250 large organizations and 200 small businesses, asking them to provide the following information for policies ending in 1985 and 1986:

- source(s) of coverage;
- premiums paid, as well as deductibles and limits, by specific types of coverage;
- policy form purchased (claims-made vs. occurrence);
- extent to which coverage met needs; and
- policy cancelations or nonrenewals occurring during the designated period.

In a separate questionnaire covering the same time, first mailed in August 1987, we asked 59 NAIB, 201 NAPSLO, and 243 PIA members to provide information concerning their experiences in procuring coverage for their clients, including

- the markets accessed by type of coverage and industry classification,
- the extent to which liability insurance was available by industry classification and by type of coverage,
- whether any clients did not purchase coverage or purchased less coverage because of cost, and
- clients' experiences with policy cancelations or nonrenewals.

For the buyers survey, our questionnaire response rates were 54 percent for large organizations and 30 percent for small businesses. For the agents and brokers survey, the questionnaire response rates were 54 percent for PIA, 53 percent for NAIB, and 49 percent for NAPSLO. Copies of the questionnaires are included in the report as appendices II and III.

State Insurance Department Actions to Address Market Problems

To determine the actions state insurance departments took in response to insurance market conditions, we interviewed knowledgeable staff from six state insurance departments. We obtained information on specific actions taken by the states (Arizona, California, Illinois, Massachusetts, New York, and Pennsylvania) to address availability and affordability problems. These data are current as of July 31, 1987.

Insurer and Reinsurer Views

Between December 1986 and April 1987, we conducted structured interviews with representatives of 10 insurers (the top 7 licensed insurers and 3 of the top 10 surplus lines insurers writing general liability insurance in the United States[5]) and 5 reinsurers. We asked about a variety of issues involving the liability insurance market, including

- types of coverage currently affected by availability or affordability problems,
- actions taken by insurers and reinsurers to limit exposure for targeted classes or types of coverage and the reasons for those actions,
- the effect(s) of recent developments in the reinsurance market on insurer capacity and willingness to underwrite specific risk classes or types of coverage, and
- the effect(s) of state insurance department actions to curb availability or affordability difficulties for insurance buyers.

We also reviewed many studies of availability and affordability for specific risk classes or types of coverage. Additional details concerning our scope and methodology are included in appendix I.

[5] Licensed insurers (companies licensed to do business in a specific state by the state insurance department) constitute the major component of the commercial market for insurance consumers. Surplus lines insurers (1) can provide insurance to the buyer who cannot obtain insurance from a licensed insurer and (2) are exempt from laws concerning rates or policy forms, although required to meet states' solvency requirements. This is because the risk classes insured by surplus lines insurers tend to require policies with individualized provisions not found in standard forms, which must be rated on an individual basis.

Premiums Increased for All Types of Coverage, but Liability Insurance Was Available to Most Organizations

Summary

Findings

Information we obtained from buyers--large organizations and small businesses--and from the agents and brokers we surveyed indicates that for the majority of responding organizations and businesses,[a] liability insurance was available in 1985 and 1986. Where availability was a problem, it primarily affected a relatively small number of organizations--those wishing to purchase environmental liability coverage.

A majority of agents and brokers we surveyed reported that only a small percentage of their clients were unable to obtain any coverage or had their policies canceled or not renewed. Similarly, most buyers reported no problems, within the past 2 years, of policies canceled or not renewed.

For the four types of coverage most often purchased by buyers (primary CGL, primary commercial auto liability, primary directors' and officers' liability, and excess CGL), price increases were substantial, with median increases ranging from 43 to 214 percent between 1985 and 1986. There is some evidence that small businesses experienced much smaller increases that did large organizations.

While many buyers reported premium increases between 1985 and 1986, coverage (in terms of policy deductibles and limits) tended to remain the same or decrease. Some of these buyers may have intentionally cut back on their coverage in response to higher premiums. Other data indicate that some buyers were unable to purchase as much coverage as desired.

As a percentage of annual gross receipts or total budgets, insurance costs for large organizations nearly doubled, from 0.3 percent to 0.6 percent from 1985 to 1986. The costs for small businesses also increased, from 1.0 to 1.2 percent, for the same period.

[a]See appendix I for detailed scope and methodology information for the buyers survey and agents and brokers survey

Perceived Needs of Responding Large Organizations Met

One measure of the adequacy of insurance coverage is the extent to which insurers believe that their needs for insurance were met by the coverage purchased for a given policy year. Seventy percent or more of the large organizations told us that their needs were met for policy year 1985 for all types of coverage for which data were available. However, for 1986, we noted that the number of large organizations that said their needs were met declined by 12 percent or more for the following types of coverage:

- excess CGL,
- excess product liability,
- excess commercial auto liability, and
- excess directors' and officers' liability.

Many of the large organizations registered satisfaction with the types of coverage they purchased in 1985. For example, in 1985, about 90 percent of the large organizations said their needs were met for primary CGL, primary product liability, and primary commercial auto liability policies (see fig. 2.1). For these same types of coverage, 86 percent or more said that their needs for excess coverage were met in 1985. However, these percentages declined for nearly every type of coverage in 1986. The greatest decline was recorded for excess product liability (from 86 to 60 percent).[1] (See fig. 2.2.)

Most Responding Large Organizations Obtained Coverage in 1985 and 1986

According to large organizations, liability coverage was generally available in 1985 and 1986 (see table 2.1). For most types of coverage, 13 percent or fewer who believed they needed coverage did not buy it in 1985 or 1986 because they could not find it. The major exception to this pattern was environmental liability coverage; 32 percent of the large organizations (21 of 65) needing this type of coverage could not obtain it in 1985, rising to 55 percent (38 of 69) in 1986.[2] Thus, when coupled with responses as to whether insurance needs were met, the responses about insurance availability indicate that most large organizations were able to obtain some coverage, but some were not able to obtain as much as they would have liked.

[1] While the availability of coverage may have caused these percentages to decline, it is also possible that these policyholders sought higher levels of coverage in 1986, but the amount of coverage available remained stable.

[2] The survey data for environmental liability coverage are generally consistent with our previous work concerning the availability of such coverage for specific groups. In our Superfund: Insuring Underground Petroleum Tanks (GAO/RCED-88-39, Jan. 1988), we concluded that the availability of tank insurance is currently limited because many insurers remain unwilling to enter this market. In our Hazardous Waste: Issues Surrounding Insurance Availability (GAO/RCED-88-2, Oct. 1987), we found that only one insurance company was actively marketing pollution insurance for organizations handling toxic substances.

Figure 2.1: RIMS Respondents Perceiving Their Primary Coverage as Adequate (1985-86)

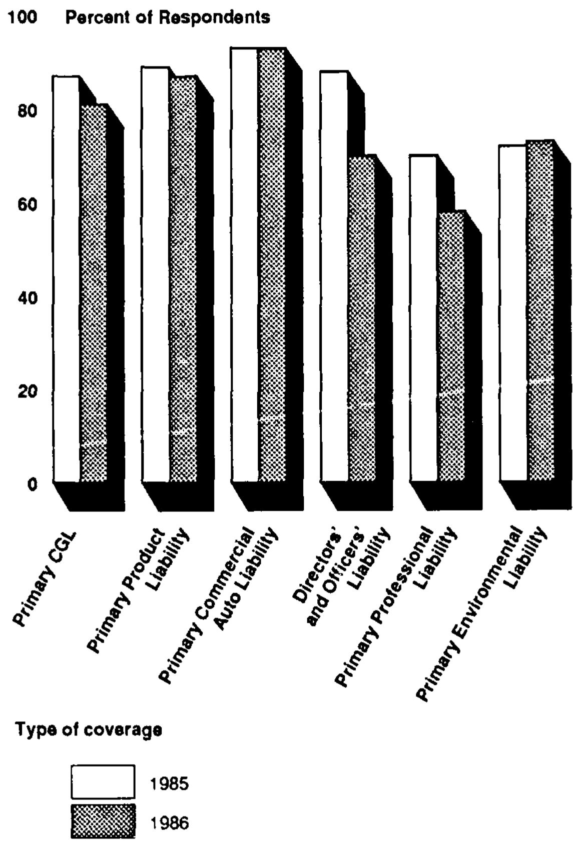


Figure 2.2: RIMS Respondents Perceiving Their Excess Coverage as Adequate (1985-86)

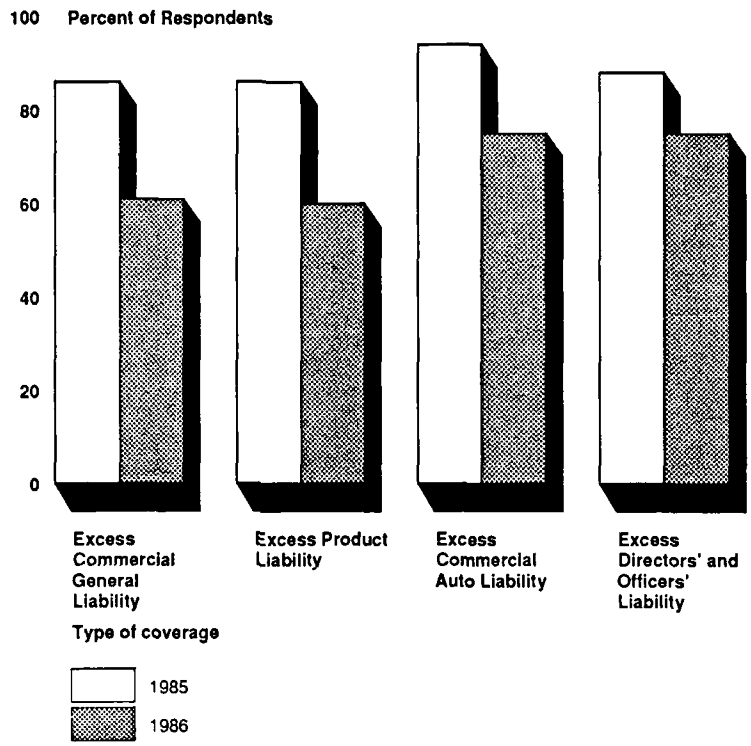


Table 2.1: Extent to Which Needed Liability Coverage Was Not Purchased (1985-86)

Numbers in percent

	Too expensive		Unsatisfactory quote[a]		Could not find	
Type of coverage	**1985**	**1986**	**1985**	**1986**	**1985**	**1986**
Primary:						
CGL	1	2	0	1	0	0
Product	1	3	0	0	1	1
Commercial auto	2	3	0	0	0	0
Directors' and officers'	4	8	2	1	4	5
Professional	14	13	3	2	7	13
Environmental	20	16	2	4	32	55
Excess:						
CGL	2	1	0	1	3	3
Product	1	2	0	0	3	1
Commercial auto	2	2	0	0	3	3
Directors' and officers'	14	22	5	2	16	22

[a]Refers to cost or terms of coverage

Most agents and brokers also reported that liability coverage was available (see table 2.2). The majority reported, however, that their clients encountered new exclusions and limitations in their 1985 and 1986 CGL, product liability, and excess policies. In addition, although not reflecting a majority of respondents, from 20 to 46 percent noted new exclusions and limitations for 1985 commercial auto liability policies.

Table 2.2: Extent to Which Liability Coverage Was Available to Respondents' Clients (1985-86)

Numbers in percent[a]

Type of coverage	Associations[b]	Available at desired levels 1985	Available at desired levels 1986	Available with new exclusions and limitations 1985	Available with new exclusions and limitations 1986	Coverage unavailable 1985	Coverage unavailable 1986
CGL	NAIB	29	29	67	71	0	0
	NAPSLO	42	35	53	60	1	5
	PIA	42	36	53	60	4	4
Product	NAIB	13	17	79	75	4	8
	NAPSLO	15	13	63	68	6	19
	PIA	25	19	52	64	15	17
Commercial auto	NAIB	50	67	46	29	0	4
	NAPSLO	41	35	20	24	3	41
	PIA	64	52	29	42	6	6
Excess	NAIB	•	•	•	•	•	•
	NAPSLO	33	29	60	61	3	10
	PIA	•	•	•	•	•	•

[a]Percentages may not add to 100 because not every respondent had sufficient clients to answer questions for *all* types of coverage

[b]Number of respondents for each association NAIB=25, PIA=53, and NAPSLO=81

[c]Information not presented due to low number of observations

Data from the agents and brokers survey suggested that large organizations were more likely to experience changes in coverage than small businesses. NAIB respondents, who handle larger clients (in terms of annual budgets or receipts) than do the other two associations, were more likely than the others to note policy exclusions or limitations for CGL, product liability, and commercial auto coverage. Large organizations, then, may be experiencing more coverage restrictions than small businesses.

According to the agents and brokers, insurance availability problems varied for the four types of coverage in 1985 and 1986. Organizations purchasing product liability insurance were the most likely to purchase policies with new exclusions and limitations, according to all three associations' respondents. Product liability coverage was also the one most likely to be categorized as "unavailable."

NAPSLO respondents, the agents and brokers with connections to unlicensed insurers, noted the greatest changes in availability between 1985 and 1986. For example, although only 3 percent of the NAPSLO members

said that commercial auto liability insurance was unavailable in 1985, this increased to 41 percent in 1986. NAPSLO respondents also reported large percentage increases from 1985 to 1986 for product liability (from 6 to 19 percent) and excess liability (from 3 to 10 percent).

Number of Insurers Represented by Agents and Brokers Influenced Perception of Availability

Overall, few of the agents and brokers indicated that their clients were affected by a complete lack of insurance. The agents and brokers who reported unavailability, however, tended to represent fewer insurers—10 or less (see table 2.3).[3] Thus, the agents' and brokers' perception of whether coverage was available may be linked to the number of connections they have to the insurance market. The wider the agent's or broker's market to shop for coverage, the more likely he or she is to be able to locate coverage for clients.

Table 2.3: Agents' and Brokers' Perception of Availability in Relation to the Number of Their Market Connections

		Agents and Brokers					
		Saying coverage	Representing insurers[a]		Saying coverage	Representing insurers	
Type of coverage	Associations	"unavailable"	<10	≥10	"available"	<10	≥10
CGL	NAIB	0	0	0	24	4	20
	PIA	2	2	0	50	45	5
	NAPSLO	4	4	0	74	23	51
Product	NAIB	2	0	2	22	4	18
	PIA	9	9	0	42	37	[illegible]
	NAPSLO	14	9	5	64	18	46
Commercial auto	NAIB	1	0	1	23	4	19
	PIA	3	3	0	48	43	5
	NAPSLO	31	11	20	47	16	31
Excess	NAIB	[b]	[b]	[b]	[b]	[b]	[b]
	PIA	[b]	[b]	[b]	[b]	[b]	[b]
	NAPSLO	8	5	3	70	22	48

[b] Data not presented due to lack of observations

[a] The median number of companies represented ranged from 5 (PIA) to 23 (NAIB)

Types of Policy Forms: Claims-Made and Occurrence

Another indicator of availability is the extent to which the traditional occurrence-based forms were available to buyers in 1985 and 1986.[6] With the exception of professional types of coverage, such as medical malpractice, occurrence-based forms have been the staple for most types of coverage. In the buyers survey results, there was no marked increase in the prevalence of claims-made forms between 1985 and 1986.

Responding Large Organizations Experienced Limited Problems With Cancelations and Nonrenewals

Except for certain types of coverage, most responding large organizations did not experience a problem with policy cancelations and nonrenewals (see table 2.4). For the types of coverage purchased most often, cancelations and nonrenewals were not numerous. Primary environmental liability coverage, however, was more likely to be canceled or nonrenewed than other types of coverage. About the same number of responding large organizations purchased coverage in 1986 as did in 1985, except for environmental liability coverage—suggesting that even those who had coverage canceled or nonrenewed in 1985 were able to obtain it for 1986.

Table 2.4: Responding Large Organizations With at Least One Policy Canceled or Not Renewed (1985-86)

Type of coverage	Purchased in 1985-86[a]	Canceled[b]	Not renewed[b]
CGL	118	12	13
Product	92	7	12
Commercial auto	121	8	10
Directors' and officers'	96	22	24
Professional	34	5	10
Environmental	32	8	19
Excess	·	9	41

[a]Includes respondents with coverage in either 1985 or 1986, as well as those with coverage in both years

[b]For the period January 1984 through December 1986

Data not available

Most of the agents and brokers reported that at least some of their clients experienced a policy cancelation or nonrenewal. Although less than 10 percent of clients experienced a cancelation or nonrenewal, from 72

[6]An occurrence policy form that provides coverage for claims filed in relation to injuries occurring during the policy term, for which claims can be made at any time. In contrast, claims-made policies provide coverage for claims filed during the policy period

to 94 percent of the agents and brokers reported at least one client had a policy canceled or not renewed (see table 2.5).

Table 2.5: Agents and Brokers Reporting Cancelation or Nonrenewal Among Clients (1985-86)

Numbers in percent

	1985		1986	
Agents and brokers association[a]	**Median percentage of clients**	**At least one client**	**Median percentage of clients**	**At least one client**
PIA	5	74	5	72
NAIB	10	94	4	81

[a]NAPSLC respondents were not asked about cancelation or nonrenewal because they often do not deal directly with the insurance buyer.

Sources of Coverage

Typically, the responding large organizations obtained coverage from commercial sources (either directly from an insurer or through an agent or a broker). As shown in table 2.6, the majority purchased coverage either as a separate policy or included in a CGL policy.[1] Although a few respondents indicated that they self-insured or joined a captive for coverage,[2] we did not observe a significant increase in the use of these alternatives between 1985 and 1986.

[1]The purpose of a CGL policy is to apply coverage to several risk classes, so that the insured no longer need purchase separate policies for each one. Thus, any of the types of coverage included in our buyers survey could have been incorporated into a CGL policy, with one premium paid for the entire package.

[2]A captive insurer is an insurer organized by a firm or group of firms to insure the risks of its organizers.

Table 2.6: Responding Large Organizations Purchasing Liability Coverage, by Type and Source (1985-86)

	Sources of coverage							
	1985				1986			
Type of coverage	**Coverage obtained[a]**	**Commercial sources[b]**	**Included in CGL**	**Other[c]**	**Coverage obtained**	**Commercial sources**	**Included in CGL**	**Other**
Primary:								
CGL	121	104	•	14	119	106	•	12
Product	92	25	60	7	93	31	53	8
Commercial auto	123	96	18	9	121	94	18	8
Directors' and officers'	92	81	1	8	91	82	1	8
Professional	34	24	6	4	32	22	6	4
Environmental	31	11	16	4	17	8	5	3
Excess:								
CGL	117	104	•	11	118	100	•	14
Product	89	40	43	5	89	35	47	6
Commercial auto	112	65	38	9	109	60	37	9
Directors' and officers'	24	17	1	5	28	23	1	4

[a]Where the number of respondents obtaining coverage does not match the total number attributed to various sources, all respondents did not record all sources on their questionnaires

[b]Includes insurance companies, agents, and brokers.

[c]Includes self-insurance (either alone or as a group) and insuring through a captive, a parent organization, or other various means

Responding Large Organizations Experienced Premium Increases for Types of Coverage Most Often Purchased

For the four types of coverage most often purchased by the responding large organizations, prices increased substantially between 1985 and 1986. These types of coverage—primary CGL, primary commercial auto, primary directors' and officers', and excess CGL—were also those that were most often purchased as a separate policy. Our discussion of premium costs is limited to these four types because we were unable to separate the costs of the other individual coverage types within a CGL policy.

Few responding large organizations told us that they were precluded from purchasing any single type of coverage because it was too expensive. Almost all large organizations that purchased primary CGL, primary commercial auto liability, primary directors' and officers' liability, and excess CGL, however, reported price increases between 1985 and 1986. The amount of increase varied considerably across types of coverage (see table 2.7). Large organizations reported median premium increases, ranging from 43 percent (for primary commercial auto liability and primary directors' and officers' liability insurance) to 214 percent (for excess CGL insurance coverage).

Table 2.7: Average Increase in Premiums Paid by Responding Large Organizations (1985-86)

Numbers in percent

Type of coverage	Mean	Median
Primary CGL	162	54
Primary commercial auto liability	82	43
Primary directors' and officers' liability	273	43
Excess CGL	343	214

The differences between the mean (the average) and median percentage change in premiums for the primary coverage types between 1985 and 1986 suggest that the mean may have been skewed by especially large premium increases for a relatively small number of those surveyed. The mean and median percentage increases for excess CGL coverage, however, suggest that nearly every excess CGL insured experienced a large increase.

For the 96 responding large organizations carrying both primary and excess CGL coverage, increased excess CGL costs contributed to a greater portion of the total cost increase. Of a mean increase of 185 percent for respondents carrying both primary and excess CGL, 60 percent of the increase was due to increased excess CGL costs; 40 percent was due to increases in the costs of primary CGL coverage.

Few Organizations Prevented From Purchasing Coverage Because of Cost

Few of the respondents to our buyers survey indicated that cost prevented them from purchasing primary CGL, primary product liability, or primary commercial auto liability coverage in either 1985 or 1986. Respondents to the agents and brokers survey generally corroborated this information; they reported that few of their clients did not purchase or purchased less of these types of insurance because of higher prices (see table 2.8).

Table 2.8: Agents' or Brokers' Clients Who Purchased Less Liability Coverage or Did Not Purchase Coverage for Price Reasons (1985-86)

Type of coverage	Association	1985	1986
CGL	NAIB	0	0
	PIA	2	5
	NAPSLO	10	10
Product	NAIB	5	3
	PIA	8	10
	NAPSLO	10	20
Commercial auto	NAIB	0	0
	PIA	0	0
	NAPSLO	0	0
Excess	NAIB	[a]	[a]
	PIA	[a]	[a]
	NAPSLO	15	20

[a]Information not presented due to low number of observations

The percentage of agents and brokers who reported that their clients, for price reasons, purchased less coverage or did not purchase any is shown in table 2.9.

Table 2.9: Agents and Brokers Who Reported at Least One Client Who Purchased Less Liability Coverage or Did Not Purchase Any for Price Reasons (1985-86)

Numbers in percent

Type of coverage	Association	1985	1986
CGL	NAIB	41	33
	PIA	52	63
	NAPSLO	74	78
Product	NAIB	65	61
	PIA	64	70
	NAPSLO	79	77
Commercial auto	NAIB	36	30
	PIA	33	37
	NAPSLO	42	44
Excess	NAIB	[a]	[a]
	PIA	[a]	[a]
	NAPSLO	75	79

[a] Information not presented due to low number of observations.

Coverage Limits Decreased and Deductibles Increased for Many Responding Large Organizations

Information from responding large organizations suggests that those who paid more for 1986 coverage ended up with the same or less coverage than they had in 1985. It is unclear whether the insurer or the insured instigated coverage changes. Of the 10 insurance company representatives we interviewed, 5 told us, however, that their company increased deductibles or introduced new coverage restrictions to limit or minimize the risk of paying claims. Policyholders may also have decided to purchase less coverage to save money.

For the three types of primary coverage for which data were available (primary CGL, primary directors' and officers' liability, and primary commercial auto liability), many responding organizations either kept the same per-occurrence policy deductibles and limits for 1985 and 1986 or saw their coverage decrease (see table 2.10). In terms of total coverage purchased (including excess coverage), we noted similar results.

Table 2.10: Rising Premiums, Stable Limits, and Deductibles for Responding Large Organizations

	Responding organizations	
Type of coverage	Premiums increased	Premiums increased; coverage remained the same or decreased[a]
Primary CGL	92	64
Primary commercial auto	78	53
Primary directors' and officers'	45	39
All coverage[b]	75	51

[a] "Decreased" can be interpreted as a lower limit or a higher deductible

[b] Of the remaining 24 respondents, 5 purchased more coverage, and the results for 19 were ambiguous due to concurrent changes in several policies.

Cost of Liability Insurance Not a Significant Percentage of Revenues or Budgets for Responding Large Organizations

The proportion of revenues (for businesses) or budgets (for other organizations, such as schools) spent on liability insurance was relatively small, but it nearly doubled from 1985 to 1986. Large organizations spent an average of 0.3 percent of their annual revenues or budgets on liability insurance for 1985, but the average increased to 0.6 percent in 1986.

Responses of Small Businesses

Generally, owners of small businesses reported few problems in obtaining coverage, although 33 out of 57 respondents paid more for 1986 coverage compared with 1985. Although limit and deductible provisions tended to remain stable, despite premium increases, the cost of coverage was about 1 percent of annual gross revenues.

For the three types of insurance for which we were able to collect data from small businesses (primary CGL, primary product liability, and primary commercial auto liability),

- 91 percent or more of the respondents indicated that their needs were met by the coverage purchased,
- none of the respondents reported any instances of cancelation,
- 2 respondents reported nonrenewals, and
- none reported that they could not find any liability insurance.

Like the responding large organizations, small businesses reported premium increases across the types of coverage purchased most often. The median increase for small businesses' primary CGL coverage was 14 percent and for primary commercial auto liability, 8 percent. Of the 33 with increased premiums, 19 had no change in deductibles or limits across all types of coverage. On average, as a percentage of annual gross receipts, small businesses spent 1.0 percent on liability coverage for policy years 1985 and 1.2 percent for 1986.

Chapter 3

State Actions to Improve Liability Insurance Availability and Affordability

Summary

Findings

State legislative and administrative actions to alleviate insurers' concerns have included both direct and indirect market intervention. For example, some states directly affected the insurance market by limiting percentage rate increases (flex-rating). Other states took a more indirect approach, for example, by authorizing insurance buyers to pool their resources and buy insurance as a group.

Several states set up Market Assistance Programs (MAPs), whose purpose is to assist buyers in their search for liability insurance. Although applications for assistance in obtaining liability coverage have generally declined, data are unavailable to assess the role of MAPs in easing market conditions.

In the six states we examined, CGL was the type of coverage most often the focus of their actions.

Whether as a result of state actions or other reasons, state officials believed that insurance availability problems appeared to be easing.

Traditionally, state governments regulate the insurance industry. Each state has an insurance department (see p.11) whose central mission is to (1) monitor the solvency of insurance companies conducting business in the state, (2) make certain that insurance rates are adequate, but not excessive or unfairly discriminatory, and (3) attempt to ensure that insurance is generally available in the states. Specific laws, resources, and regulatory philosophies vary among the states, but generally state insurance departments fulfill the same basic functions.

To identify the responses of state insurance departments to availability and affordability problems in the liability coverage market, we interviewed department officials from Arizona, California, Illinois, Massachusetts, New York, and Pennsylvania. We chose these states because they were known to have taken specific actions in response to consumers' difficulties in obtaining available or affordable liability insurance. These states, although not representative of all states, do offer an indication of the kinds of actions states can take to counter availability and

affordability problems, as well as the types of coverage that have been the focus of those actions.

The actions taken by the six states have depended, to a large extent, on the problems in each state. For example, some states attempted to increase the availability of liability coverage for specific risk classes, such as day care centers or municipalities. Other states attempted to increase the availability of specific types of coverage, such as CGL or product liability. In the six states for which we have information, CGL was the type of coverage most often chosen as the focus of actions.

Data showing the effect of these actions on insurance availability are not collected in many states. Most states, for example, keep data on the number of insurance consumers taking advantage of specific programs, but information needed to assess the true effectiveness of these programs is limited. For example, of the six states, only four collected any information on how many consumers actually obtained coverage through programs designed to match buyers with companies offering coverage. Only three of these states collected data to show the length of time consumers had to wait before receiving an offer of coverage.

State insurance department officials told us that the availability of liability insurance has improved. In these six states, however, a few specific groups, such as municipalities and day care centers, continue to be hard to insure. State officials are examining liability insurance availability and affordability, as well as the possibility of instituting additional measures to address continuing problems.

Table 3.1: Recent State Initiatives to Improve Insurance Availability and Stability in Six States

	States					
Initiative	Ariz.	Calif.	Ill.	N.Y.	Mass.	Pa.
Establish MAPs	Y	Y	Y	Y	Y	Y
Authorize JUAs[a]	Y	Y	Y	Y	Y	•
Approve claims-made forms	Y	[b]	Y	Y	Y	Y
Provide at least 30-day prior notice for policy renewal	Y	Y	Y	Y	Y	Y
Restrict midterm policy cancelations	Y	Y	Y	Y	•	Y
Require insurers to notify department of decision to terminate coverage type in state	•	Y	Y	•	•	•

Legend:
Y = Yes

[a]Joint Underwriting Associations

[b]California is a "file-and-use" state. In other words, unless specifically forbidden to do so, insurance companies can offer any insurance forms they wish, although their rates are regulated.

Availability: State Actions Varied According to Market Conditions

The six states addressed availability problems in a variety of ways (see table 3.1). Each established some kind of program in which buyers who were unable to find insurance were matched with insurance companies offering coverage. Two of the most prominent programs were MAPs, in which insurers voluntarily agree to provide coverage for those unable to locate insurance, and Joint Underwriting Associations (JUAs), in which insurers licensed in a state are required by the state to provide coverage to those who cannot obtain it in the voluntary market. States also revised insurance regulations, such as those pertaining to policy cancelation and nonrenewal, to facilitate uninterrupted coverage.

As shown in table 3.2, the emphases of MAPs and JUAs depended on the problems experienced in an individual state. In some states, such as California and Massachusetts, the MAPs targeted specific groups. Other MAPs, like those in New York and Pennsylvania, concentrated on specific coverage types. Although each of the six states authorized the formation of JUAs, only one state (Massachusetts) operated a JUA during the time of our study.[1]

[1]This does not include medical malpractice JUAs, which were established in the late 1970's in California, Illinois, Massachusetts, and Pennsylvania.

Table 3.2: Emphases of Market Assistance Programs and Joint Underwriting Associations in Six States

	States					
MAP and JUA	**Ariz.**	**Calif.**	**Ill.**	**N.Y.**	**Mass.**	**Pa.**
Type of coverage:						
General liability[a]	M[b]	[b]	M[b]	[c]	M	M[b]
Product liability	•	•	•	•	•	M
Liquor liability	•	•	•	•	J	•
Type of risk class:						
Municipalities	•	•	•	M	•	•
Day care	•	M	•	M	M	M
Police protection	•	•	•	•	M	•

Legend
M = MAP
J = JUA

[a]In states implementing general liability MAPs or JUAs, an MAP may provide many types of coverage other than those listed in this table. For example, New York's general liability MAP can also provide product liability coverage.

[b]State has authorized, but has not yet implemented, a JUA.

[c]In 1986, New York's Child Care MAP was expanded to include other organizations, such as community centers, and other philanthropic activities. It has since been renamed the Community Service MAP.

MAPs: A Voluntary Approach

Each of the six states authorized some type of MAP to match insurance buyers unable to obtain insurance with companies offering it. States seemed to favor MAPs over JUAs because (1) information about the insurance market is centralized and made more accessible to insurance buyers and (2) insurers are more likely to participate in less intrusive programs. Pennsylvania and New York insurance department officials told us that participation in a voluntary versus a mandatory program is often the incentive to favor MAPs over JUAs.

MAP Structure Varied

The MAPs were generally structured in two ways. First, under the direction of state insurance departments in four states, voluntary associations of insurers and of agents and brokers assisted MAP applicants. For example, the Illinois department forwarded MAP applications to a committee of agents and brokers. If the committee could not find an insurer willing to provide coverage, the MAP application was sent to a committee of insurance company representatives, which then attempted to locate coverage for the applicant. Second, in three states—Arizona, Massachusetts, and New York—the state processed MAP applications. Those seeking general liability insurance called a state insurance department hotline. The person monitoring the hotline referred the applicant to a company that could provide the coverage required.

Although insurers were not required to participate in MAPs, some states required participating insurers to offer coverage to a fixed percentage of applicants. In four of the six states, insurers participating in MAPs did not have to offer coverage to each MAP applicant. In Massachusetts, New York (only the municipal MAP), and Pennsylvania, however, MAP insurers had to offer coverage for a specified percentage of the applications they received.

Assessment of MAPs' Effects Difficult With Available Data

According to officials of four of the six state insurance departments, because of high placement rates and decreasing applications, MAPs were apparently meeting their main objective—to ease availability problems. In all the six states, however, we found the data collected insufficient to assess the MAPs' success.

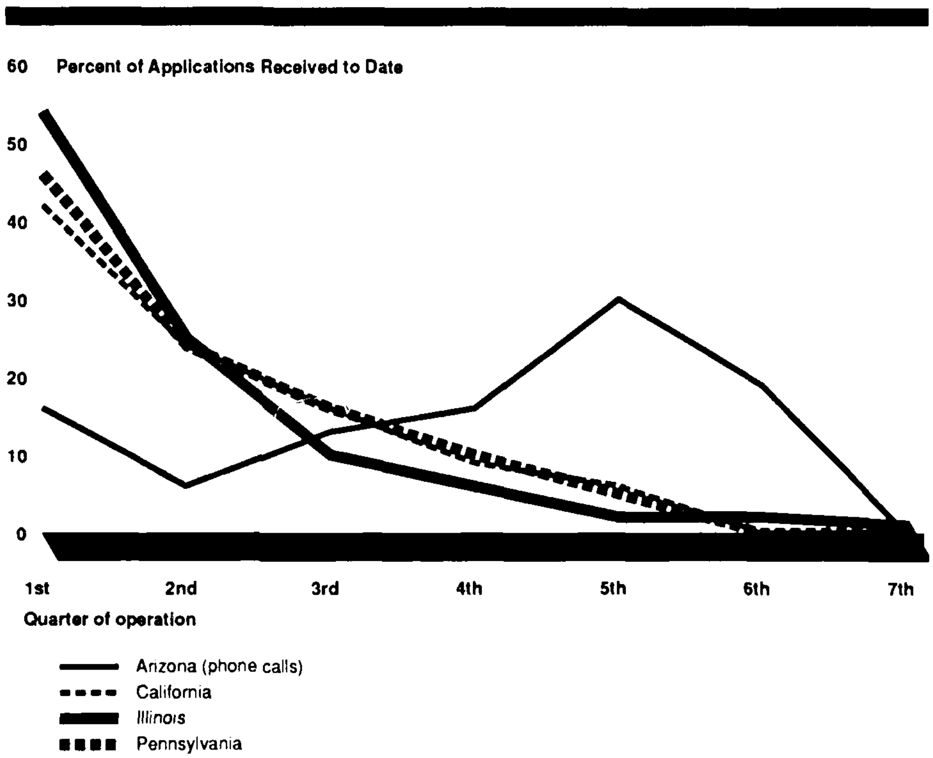
These data, which varied by category and amount, provide information on the rate of MAP applications, which is an indicator of the demand for assistance in obtaining a particular type of coverage. For example, most of the states recorded the total number of applications (or phone calls) received and processed. Four of the six states kept statistics showing the number of applicants known to have been offered insurance through the MAPs. The final outcome, however (such as the rate to be charged or whether applicants agreed to accept the terms and conditions offered), was unknown for MAPs in three of the states.

In addition, three of the six states did not track the time lapsed from the date the application was received to the date coverage was offered. Only New York and Pennsylvania kept statistics on the number of applicants successfully obtaining coverage through their MAPs. Data from the Illinois MAP indicated that about 43 percent of all applicants eventually received insurance offers, but some waited for long periods of time. In our analysis of the data, 38 percent of the offers were made from 3 to 11 months after applicants had contacted the MAP. Thus, although 43 percent of the applicants in Illinois were offered liability insurance, they waited a long time before insurance was offered. This shows that MAPs were not always an immediate solution to availability problems for some applicants.

For four of the six states, the rate of MAP applications over the life of the MAP, as of July 1987, is shown in figure 3.1. From mid-1986 to July 1987, the rate of MAP applications decreased for three states. Arizona, which operates a telephone hotline, was the only exception. In Arizona, phone inquiries about the program increased until July 1987—the last

quarter for which data were available—when they declined. Data from New York's MAPs were not available.

Figure 3.1: Market Assistance Program Activity in Four States (As of July 1987)



Each state could account for only a portion of the most recent quarter.

Joint Underwriting Associations

If state insurance departments cannot persuade insurance companies to participate in an MAP vo[illegible]untarily, another option is to require companies to provide coverage th[illegible]ugh a JUA. Like an MAP, a JUA's objective is to ease availability problems, but insurer participation in a JUA is not voluntary: any insurance company operating in the state must participate in it. Often, the state sets the terms and conditions of the insurance policy, including the rate to be charged by the insurer.

In 1986, five of the states enacted legislation authorizing a JUA for liability-related coverage (see table 3.2). Three of these states (California, Illinois, and New York) authorized a JUA for "general liability," but had not

implemented one as of November 1, 1987. Massachusetts currently operates a JUA for liquor liability.[2] Arizona also activated a JUA for nurse-midwives, but it disbanded the JUA for this risk class because a private insurer began to provide coverage.

Claims-Made Forms Approved in Three States

In 1986, three of the states (Arizona, New York, and Pennsylvania) approved the use of claims-made forms for specific kinds of organizations that were having difficulty obtaining CGL coverage (California, a file-and-use state, as explained in table 3.1, already allowed the use of claims-made forms). The claims-made form, used extensively for medical malpractice and other types of professional liability coverage, is preferred by insurers because it covers only claims filed during a specific period, usually the policy term. This is in contrast with the more traditional occurrence-based forms, which cover claims related to injuries occurring during the policy period—for which claims can be filed at any time.[3]

Because the legislation authorizing insurers to use claims-made forms was recently enacted, data from the six states were not available to assess how widespread the use of claims-made forms had been. However, the buyers survey results indicate that the use of claims-made forms did not significantly increase between 1985 and 1986 for the types of coverage for which we have data (see app. I).

Changes Concerning Cancelation and Nonrenewal of Policies

In each of the six states, insurance regulations about midterm policy cancelations and nonrenewals were revised to (1) allow policyholders sufficient time to obtain alternative insurance and (2) protect policyholders from unexpected lapses in protection. For example, each of the six states requires that insurers give policyholders at least 30 days' notice if a policy will not be renewed, with Arizona, Illinois, New York, and Pennsylvania now requiring 60 days' notice. In addition, New York and Pennsylvania allow midterm policy cancelations only for such reasons as the policyholder's nonpayment of premium or fraud or the insurer's loss of reinsurance. In 1986, two other states (California and

[2] Liquor liability coverage for bodily injury or property damage caused an intoxicated person is most often needed by (1) clubs, (2) manufacturers, wholesalers, or distributors, (3) restaurants, taverns, hotels, or motels, and (4) package stores.

[3] For a thorough discussion of ISO's claims-made forms, see our Liability Insurance: Changes in Policies Set Limits on Risks to Insurers (GAO HRD-87-18BR, Nov. 21, 1986).

Illinois) passed legislation requiring insurers to notify the state insurance department of any decision to terminate a type of coverage.

Some states enacted legislation designed to restrict the liability for specific groups. For example, Illinois, New York, and Pennsylvania provide immunity for directors and officers of nonprofit organizations, protecting them from being held liable in the courts. According to task forces in these states, the absence of such legislation undermines the ability of nonprofit organizations to attract directors and officers, as well as provide useful public services.

Affordability: Additional Rate Regulation and New Coverage Alternatives

Programs like MAPs and other actions taken to protect policyholders from cancelation or nonrenewal may help to improve the availability of liability insurance; these actions, however, do not address the issue of affordability. To address affordability, some states have revised their procedures for rate approval and others have authorized new coverage alternatives for consumers (see table 3.3).

Table 3.3: Actions Taken by Six States to Improve Insurance Affordability

	States					
Action	**Ariz.**	**Calif.**	**Ill.**	**N.Y.**	**Mass.**	**Pa.**
Approve flex-rating	P	Y	P	Y	P	P
Provide prior notice of rate increases	•	Y	Y	Y	Y	Y
Allow designated groups to buy insurance on a group basis	•	Y	•	Y(M.N)	•	•
Allow groups to pool funds to cover claims	Y(M.S)	Y(X)	•	Y(M)	Y(B.M)	Y(B)

Legend

Y = Yes
P = Proposed
B = Banks
N = Nonprofit organizations
M = Municipalities
S = Social service contractors (nurse-midwives day care)
X = Miscellaneous

Flex-Rating Designed to Prevent Wide Price Swings

In 1986, the California and New York state insurance departments implemented flex-rating to curb wide price fluctuations. According to department officials, flex-rating provides a measure of price predictability; only within a specified range are price changes allowed without the state insurance department's prior approval. For example, in New York, without receiving prior approval, insurers can raise or lower their prices from the middle of a specific range by 10 to 30 percent. The flex-rating

ranges are subject to periodic review by the superintendent of insurance.

New Alternatives for Consumers

In five of the six states, efforts to make liability insurance more affordable have also included passing legislation to allow consumers to obtain coverage on a group basis, either by (1) pooling their own resources, with the cost of premiums, losses, and expenses shared by the group members, or (2) purchasing insurance as a group from an insurer.

Pooling authorization has met with mixed results. In New York, legislation enacted in 1986 allows "public entities" to obtain insurance through a reciprocal insurance agreement (RIA), a pool, in which the group collectively underwrites the risk, but, as of July 1987, no RIAS were operating, according to department officials. On the other hand, approximately 75 percent of California's municipalities have provided for their insurance under a pooling arrangement, as of August 1987.

Two states, Massachusetts and New York, have allowed some organizations to purchase insurance as a group from an insurance company. In 1986, Massachusetts's cooperative banks received authorization to purchase group liability insurance for directors and officers. Massachusetts's municipalities also received similar authorization to group-insure and purchase reinsurance. New York extended similar authorization to public entities and nonprofit organizations.

Chapter 4

Conclusions

According to the results of the buyers survey, 9 of the 10 types of primary and excess coverage (including CGL, product liability, commercial auto liability, directors' and officers' liability, and professional liability) were generally available. Substantial availability problems were mostly confined to environmental liability coverage. Policy cancelations and nonrenewals were numerous for only a few types of coverage. However, the data suggest that some large organizations may not have been able to obtain as much coverage as wanted.

Virtually every respondent experienced premium increases, many of them substantial. Some of the responding large organizations were required to pay increases of 300 percent or more, the topic of major headlines. For most, however, increases were less. Median increases from 1985 to 1986 for the types of coverage most often purchased ranged from 43 to 214 percent. Premium increases may have been less of a problem for small businesses; those responding to our survey reported median increases of 14 percent or less for two types of coverage for which we had data (primary CGL and primary commercial auto liability).

While premium increases were large, insurance costs still generally represent a relatively small portion of large organizations' gross receipts. For these responding organizations, premiums rose, on average, from 0.3 percent of annual gross receipts in 1985 to 0.6 percent in 1986. We did not examine data concerning the effects of premium increases on organizations' operations. However, given the relatively small proportion of gross receipts that insurance represents (even in 1986), it seems unlikely that the rise in insurance costs could have had a large effect on the costs of goods and services the responding organizations provide. Nor does it seem likely to have threatened the viability of the responding organizations. This does not mean, however, that specific groups did not face crises as a result of insurance affordability problems. Anecdotal evidence from nurse-midwives and day care centers, for example, seems to indicate that there were at least some situations in which operations were closed because of insurance problems. Our sample, although offering information about the experiences of a broad range of organizations, would not have identified specific groups whose continuing operations would be jeopardized by severe problems with unaffordability.

Our discussions with insurers and reinsurers, along with data from buyers and agents and brokers, suggest that policy terms and conditions have changed with recent policy renewals. We cannot determine from

the data the extent to which policyholders initiated changes to their coverage. However, agents and brokers reported that many 1985 and 1986 policies were available only with new exclusions, such as noncoverage of pollution-related incidents, and limitations, such as lower policy limits and higher deductibles. The responding agents and brokers also reported that few clients purchased less coverage as a result of cost increases. In addition, insurers and reinsurers reported that they had taken specific actions to limit their risk of paying claims. Although we did not observe any sharp trend towards self-insurance or other insurance alternatives among the buyers surveyed (see app. I), insureds need to decide whether or how to replace lost coverage.

In the six states we examined, insurance department actions addressed a variety of policyholder concerns about liability insurance availability and affordability. While it is unclear how effective some of these actions (such as MAPs) have been, the demand for such actions—especially those dealing with availability of coverage—has apparently diminished.

According to representatives from the six state insurance departments, as well as industry observers, the primary effects of the insurance crisis appear to have stabilized. State insurance department officials, while still examining availability and affordability concerns for some risk classes, reported that premium increases have stabilized; coverage has diminished, however, for some policyholders. These effects, also evidenced in our survey results, will probably be felt by policyholders for some time to come.

Questionnaire Scope and Methodology

Background

This appendix provides additional details concerning our questionnaire scope and methodology, discussed in chapter 2. Information is included about (1) the data bases from which the samples were drawn, (2) our criteria for selecting a statistical sample, (3) the procedures followed in drawing the samples, (4) our pledge of confidentiality to respondents, (5) questionnaire mailings and responses, and (6) computer-based software packages used to analyze the results.

To identify hard-to-obtain types of coverage, we decided to get information on insurance cost and availability from two groups: (1) commercial insurance buyers and (2) insurance agents and brokers.

Buyers Survey

The population we set out to examine was diverse and numerous; no single data base encompassed it. From discussions with various associations representing large and small businesses, we selected two associations whose memberships generally mirrored two major segments of the very large population. These associations were RIMS for large organizations and NFIB for small businesses.

RIMS

As explained in chapter 1, RIMS is an association of corporate risk managers from about 3,800 member organizations. According to RIMS staff, these risk managers are responsible for managing the insurance needs of the member organizations, including more than 90 percent of the Fortune 1,000 companies. Consequently, a survey advantage of RIMS is that the membership constitutes an excellent profile of large U.S. businesses.[1] RIMS members also include about 200 public and nonprofit entities, such as hospitals, universities, and governmental entities. A major advantage in using RIMS as our sampling base is that we were able to contact the individuals responsible for buying insurance within some very large organizations.

NFIB

As mentioned in chapter 1, NFIB is an association of approximately 500,000 businesses, from small to medium in size, with annual gross sales ranging from less than $100,000 to over $5 million. According to NFIB's research arm, the NFIB Foundation, NFIB's membership is generally

[1] The Fortune 1,000 is comprised of two groups: the Fortune Service 500 and the Fortune Industrial 500. As of 1986, net sales or operating revenues for the Fortune 1,000 ranged from over $96 billion to $225 million. Because summary information, such as annual receipts and employee size by industrial classification, was not available for the Fortune 1,000, we rely on RIMS data for comparison with the survey respondents.

representative of the small businesses and offers one of the best sampling frames currently available.[2]

Data Bases

We used the RIMS and NFIB mailing lists as our data bases for the buyers survey. These lists included the name, address, and name of a main contact for every organization in RIMS and NFIB. Because of time and resource constraints, we did not independently verify or assess the reliability of either membership list.

Both RIMS and NFIB update their membership files constantly, as dues are paid. Therefore, the RIMS list was current as of March 1987, the NFIB list, as of April 1987. Using information from the associations' representatives, we expected about 2 percent of the NFIB sample to be undelivered because the businesses had ceased operation. We expected none to be undelivered for the RIMS membership. In addition, we expected that an unknown number of either NFIB or RIMS members would cease operations sometime throughout our 4-month survey period.

Random Sample

In April 1987, we asked RIMS and NFIB to allow us to select a random sample of their memberships for our survey. A purely random sample was chosen because (1) both associations generally mirror the universe of organizations they represent, (2) our interest was in the availability and affordability of particular types of liability insurance, not in specific kinds or sizes of organizations, and (3) the associations could not provide us with data on the types of coverage their members buy (the most meaningful basis for stratification). We selected 250 RIMS and 200 NFIB members for our sample.

Sampling Procedures

Neither association, for proprietary reasons, wished to provide their entire membership lists to us. As a compromise, we allowed the NFIB Foundation to select a random sample from its own computerized data base. NFIB selected the sample, and we placed no restrictions on its sampling procedures. At RIMS offices in New York City, GAO evaluators selected the RIMS sample from mailing label sheets, excluding all Canadian companies and trade associations.

[2] We compared the NFIB membership with information from the Small Business Data Base (as of 1982); the percentages of businesses within industry categories were quite similar between the two groups. See table I.5 for presentation of these data along with the industries responding to our survey.

Confidentiality

Because some respondents might have hesitated to complete the questionnaires if they perceived the information requested as sensitive, we extended a pledge of confidentiality to the respondents. We told them that no response would be identified with any individual respondent and that only summaries would be reported to the Congress. The requesters agreed to this arrangement.

Mailings and Response Rates

On July 2, 1987, we first mailed the buyers questionnaires to the 450 businesses and public entities in our sample. Each questionnaire was addressed to the person appearing on the mailing label; for RIMS, this was usually the organization's risk manager and for NFIB, the owner. On August 3, 1987, we mailed follow-up letters and duplicate questionnaires to nonrespondents. On August 26, 1987, we mailed another follow-up letter to the remaining nonrespondents; we sent a final letter on October 1, 1987. Our survey results are based on the 134 RIMS and 60 NFIB returned questionnaires received by November 15, 1987.

In table I.1, the survey results are summarized in terms of questionnaires returned and not returned. The nondeliverables were those returned by the post office when a forwarding address was lacking; the address, inadequate; the business, no longer in operation; or other such reasons. In addition, we did not use some returned questionnaires because the respondents were no longer in business, not in business during the survey years, did not have the time or staff to fill out the questionnaire, or other such reasons.

Table I.1: Buyers Survey Response Rates

	Surveys			
	RIMS		NFIB	
Survey response	Number	Percent	Number	Percent
Sample	250	100	200	100
Returned	145	58	69	35
Usable	132	53	57	29
Nondeliverable	0	0	3	4
Received but not used:	13	10	12	17
No longer in business	1	1	2	3
Not in business in survey year(s)	1	1	2	3
No time/staff to fill out survey	6	4	2	3
Did not understand survey	0	0	1	1
Data unavailable	1	1	1	1
Other	4	3	4	6

Only 30 percent of the NFIB members in our sample responded with usable questionnaires. This response rate, though not unusual for surveys of small businesses, is inadequate to project to the NFIB membership.

To determine why the NFIB response rate was so low, we telephoned a sample of nonrespondents—20 percent (31)—in late August and September 1987, asking them why they had not responded to the survey. The main reason appeared to be a lack of time; most nonrespondents indicated that they would not fill out the questionnaires if others were sent. The following are the telephone survey results (see table I.2):

Table I.2: Results of Telephone Survey of Nonresponding NFIB Members

Reason	Respondents
No time	10
Phone disconnected	2
Not reached[a]	8
Other[b]	4
Sent in questionnaire[c]	3
Too complicated	2
Total	**30[d]**

[a]These businesses were either not available between 8:00 a.m. and 5:00 p.m., when the calls were made, or were not listed in local directories.

[b]Included lost, overlooked the questionnaire, and working reduced summer hours

[c]According to the contact, the questionnaire had been mailed and had not yet reached GAO.

[d]These responses account for 29 nonreturned questionnaires. In addition, 1 questionnaire was returned by the post office while the phone survey was being conducted

Analysis

To analyze the data, we prepared a computerized data base of information from completed questionnaires and then used the Statistical Package for the Social Sciences (SPSSx) to analyze the data.

Comparing of Responses With Membership

As shown in table I.2, when compared with the entire RIMS membership, the kinds of organizations responding generally reflect the membership with a few exceptions: the "Mining" and "Services" categories are underrepresented, and "Other" is overrepresented. In addition, the NFIB respondents did not match the NFIB membership (or small business in general) as closely as did the RIMS respondents (see table I.4).

Table I.3: Comparison of RIMS Survey Respondents With RIMS Universe

Numbers in percent

	RIMS	
Category[a]	Respondents	Universe
Agriculture/Forestry/Fishing	2.3	1.2
Mining	2.3	4.7
Construction	3.8	3.7
Manufacturing	29.0	31.5
Transportation/Public Utilities	8.4	10.9
Wholesale/Retail[b]	7.6	9.2
Finance/Real Estate	13.0	12.4
Services	7.6	13.3
Other[c]	26.0	13.1
Total	**100.0**	**100.0**

[a]These categories are standard industrial classifications (SICs).

[b]Because RIMS combines Wholesale/Retail, the two SICs are presented as one category for comparison purposes.

[c]"Other" includes Public Administration, which comprised 9.2 percent of the respondents.

Table I.4: Comparison of NFIB Survey Respondents With NFIB Universe

Numbers in percent

Category[a]	Respondents	Universe	Small business data base
Agriculture/Forestry/Fishing	7	7	[b]
Mining	0	0	1
Construction	9	14	14
Manufacturing	13	13	10
Transportation/Public Utilities	4	3	4
Wholesale Trade	18	8	11
Retail Trade	18	29	30
Finance/Real Estate	4	8	7
Services	25	18	23
Other	4	[b]	[b]
Total	**100**	**100**	**100**

[a]No entities in the NFIB universe are in the Public Administration category.

[b]Data not available.

Agents and Brokers Survey

In addition to information obtained directly from buyers, we also wanted information on liability insurance availability and affordability from insurance agents and brokers, who interact with the insurance market daily.

Agents and brokers can be divided into three basic groups: insurance agents, commercial brokers, and surplus lines brokers. Because there is no single source of data for all these groups, we contacted several associations representing agents and brokers. We selected three that had a large nationwide membership and agreed to cooperate with our survey. As mentioned in chapter 1, the associations selected were PIA, NAIB, and NAPSLO.

Sampling Procedures

Different sampling procedures were used with each association. PIA, not wishing to release its entire membership list, provided us with a random sample drawn from a computerized membership list. As with the NFIB sample in the buyers survey, no restrictions were placed on PIA's sample selection. NAPSLO provided us with a printed copy of its mailing list, from which GAO evaluators drew a random sample. For the NAPSLO sample, GAO evaluators selected every 11th member name from the list of members. Because NAIB has only 59 members, we sent the survey to the entire NAIB membership.

During our pretests, it became apparent that NAPSLO members, who often deal with insurance agents or brokers and not directly with an insurance buyer, would not be able to answer questions about self-insurance or customer type. The questionnaire for NAPSLO members, therefore, eliminated such questions. (Questions are noted in app. III.)

Data Bases

As with the buyers survey, we obtained either all or part of the associations' mailing lists. These lists included the name, address, telephone number, and main contact for the member agency or brokerage.

As with the buyers survey, because of time and resource constraints, we did not independently verify or assess the reliability of any of the membership lists. In contrast to the buyers survey, however, we were unable to compare the memberships with any nationwide data base of information about insurance agents and brokers.

The NAIB questionnaires were first mailed on August 14, 1987; follow-up letters and duplicate questionnaires were sent to nonrespondents on September 14, 1987. The PIA and NAPSLO questionnaires were first mailed on August 18, 1987, and follow-up letters and duplicate questionnaires were sent to nonrespondents on September 23, 1987. A final follow-up letter was mailed to all nonrespondents on November 2, 1987. At the

close of the survey, on November 30, 1987, the number of questionnaires that were mailed, returned, and used are shown in table I.5:

Table I.5: Agents and Brokers Survey Response Rates and Reasons for Surveys Not Used

	Surveys					
	NAIB		NAPSLO		PIA	
Survey response	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Total sampled	59	100	201	100	243	100
Total returned	29	49	129	59	167	60
Total completed	29	49	111	55	122	50
Total usable	25	42	81	40	53	22
Surveys not used (returned)	4	14	28	22	69	41
Less than 30 percent property/casualty business	3	10	11	9	48	29
Out of business	0	0	1	0	8	5
Not applicable	0	0	9	7	2	1
Data not available	0	0	2	2	4	2
Only one account	1	4	2	2	2	1
No time	0	0	0	0	1	0
Nondeliverable	0	0	0	0	1	0
Other	0	0	3	2	3	2

Analysis

To analyze the returned questionnaires, we prepared a computerized data base of information from completed questionnaires and used SPSSx to analyze the results. We excluded from analysis data from those agents and brokers who had indicated to us that commercial property and casualty coverage made up less than 30 percent of their annual premium volume (for brokers) or annual premiums earned (for agents). We restricted these data to guarantee that the respondents had a minimum of expertise in answering questions about liability insurance; agents and brokers who primarily deal with personal coverage or workers' compensation would not have this expertise. We did not, however, adjust our sample size to accommodate this restriction because PIA estimates broke down property and casualty coverage at 50 percent and other types of coverage at 50 percent.

There was, unfortunately, no way to predict the results of breaking out the associations' members by type of coverage sold, but we assumed that the coverage sold by NAPSLO and NAIB members would concentrate on property and casualty (as opposed to personal lines and workers'

compensation), with PIA members' property and casualty coverage making up at least 50 percent of sales. Our assumptions were supported for NAIB and NAPSLO respondents; we excluded only 3 NAIB and 11 NAPSLO returned questionnaires from our analysis because of this restriction. For PIA, we eliminated about one-third of the returned questionnaires, leaving us with an effective response rate of about 22 percent.

In addition to this restriction, we analyzed those types of coverage that made up at least 21 percent of the respondents premium volume (see table I.6).

Table I.6: Respondents' Experiences With Various Types of Liability Insurance

	At least 21 percent of annual premium volume[a]					
	NAIB (n=25)		NAPSLO (n=81)		PIA (n=53)	
Type of insurance	Number	Percent	Number	Percent	Number	Percent
CGL	18	70	55	63	44	75
Product	11	43	16	18	23	41
Commercial auto	11	43	29	34	35	62
Directors' and officers'	0	0	0	0	0	0
Professional	1	4	8	9	1	2
Environmental	0	0	0	0	1	2
Excess	9	35	37	42	7	13
Other	5	20	8	13	3	8

Legend
N = number of usable questionnaires
[a]For last 3 years combined

For a profile of the respondents', see table I.7.

Table I.7: Profile of Respondents to Agents and Brokers Survey

Profile	NAIB (n=25)	PIA (n=53)	NAPSLO (n=81)
Median property/casualty companies represented in FY 1986	23	5	15
Median years as an agent or broker (respondent)	17	17	14
Clientele size (for 50th percentile)[a]			
Less than $500,000 annual sales/budget	20%	85%	[b]
$500,001-$10 million annual sales/budget	60%	15%	[b]
More than $10 million annual sales/budget	10%	0%	[b]

[a]Numbers may not add to 100 because figures are median percentages.
[b]Question not asked for NAPSLO members, who do not deal with individual insurance consumers, but with other agents or brokers.

Survey of Business and Public Entity Liability Insurance

U.S. GENERAL ACCOUNTING OFFICE

SURVEY OF BUSINESSES AND PUBLIC ENTITIES REGARDING
COMMERCIAL LIABILITY INSURANCE MARKET CONDITIONS

Corrections

If the address on the label is incorrect, please make corrections in the space to the right of the label. This address will be used to mail a summary of the findings to all participants.

This questionnaire asks a series of questions about the availability and affordability (sources, levels of coverage and costs) of liability insurance for policy years 1985 and 1986 for the organization indicated in the label. Excluded are workers' compensation and medical malpractice insurance. If you are not the appropriate representative of the organization to complete this questionnaire please forward it to the appropriate person.

The insurance files for the policy years ending in 1985 and 1986 for this organization should assist you in completing this questionnaire. If after reviewing this questionnaire and the insurance file you have problems interpreting the questions you may want to contact the insurance agent or broker who arranged the coverage and ask him/her to look at the questionnaire. U.S. General Accounting Office personnel are also available to assist you by phone. Call Mia Merrill or Ellen Radish at (202) 275-8617.

1. Indicate the name, title and telephone number of the individual we should contact if additional information is required about your responses.

Name: ______________________________

Title: ______________________________

Telephone number: __(______)______________________________

BACKGROUND

2. Which of the organizational categories best describes the organization indicated in the label? (CHECK ONE.)

01. [ ] Agriculture, forestry and fishing

02. [ ] Mining

03. [ ] Construction

04. [ ] Manufacturing

05. [ ] Transportation and public utilities

06. [ ] Wholesale trade

07 [ ] Retail trade

08. [ ] Finance, insurance and real estate

09. [ ] Services

10. [ ] Public administration

11. [ ] Other (specify)

____

____

____

3. What was the amount of the organization's annual gross receipts for fiscal years 1985 and 1986? (Municipal governments should use their operating budget minus amounts for school board and debt service.)

FY 1985: $ ____________________

FY 1986: $ ____________________

GLOSSARY

Throughout the questionnaire we will be referring to various terms. They have been defined here for your convenience.

Policy year: The 365 or 366 days between the annual premium or payment dates. (If your organization's policy is less than or greater than this, please explain in the appropriate question.)

Policy year ending in 198X: A policy which has a final day falling on any day in calendar year 198X. For multiyear policies, anniversary dates should be used to mark the beginning of a given policy year with the day before the anniversary date designated as the last day of the previous policy year.

Captive insurer: An insurance company organized by a firm or group of firms to insure the risk of its organizers.

Going bare: Having the need for coverage but going without it.

Occurrence policy: A policy under which the insurer has responsibility for covering claims filed in relation to injuries that occur during the policy period, regardless of when the claim is made.

Claims-made policy: A policy under which the insurer has responsibility for only those claims filed during the policy period.

Primary coverage: Coverage provided up to a specific amount or against specific perils.

Excess coverage: Coverage in excess of coverage provided under another contract.

Per-occurrence: The maximum dollar limit of coverage available for payment of each claim.

Aggregate: The maximum dollar limit of coverage available for payment of all claims for a given policy.

Deductible: The amount of a loss which the insured has to pay.

Self-insured retention: The amount of a loss the insured has to pay when self-insured.

Questionnaire Outline

The next series of questions (4,5,6 and 7) cover the organization's liability protection coverage for the following areas of interest:

(A) policy years ending in 1985 and 1986,

(B) primary (first level) and excess (above primary) protection and

(C) various types of liability, namely,

(1) commercial general (known earlier as comprehensive general)
(2) product
(3) commercial auto
(4) directors' and officers'
(5) professional (except medical)
(6) public officials'
(7) environmental
(8) other (such as liquor, recreational, etc.) to be described by the organization
(9) other (such as liquor, recreational, etc.) to be described by the organization

These areas of interest are organized into 12 tables as follows:

Question	Table	Policy Year Ending In	Level of Protection	Type of Liability (1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
4	I	1985	Primary	x	x	x						
4	II	1985	Primary				x	x	x			
4	III	1985	Primary							x	x	x
5	IV	1985	Excess	x	x	x						
5	V	1985	Excess				x	x	x			
5	VI	1985	Excess							x	x	x
6	VII	1986	Primary	x	x	x						
6	VIII	1986	Primary				x	x	x			
6	IX	1986	Primary							x	x	x
7	X	1986	Excess	x	x	x						
7	XI	1986	Excess				x	x	x			
7	XII	1986	Excess							x	x	x

Each table contains the same 10 questions concerning the details of the coverage (e.g., type of policy, coverage limits, deductible, premium) for the particular table. The first four questions are found in part A of each table and the remaining six in part B. The two parts (A and B) are found on consecutive pages. Note that the box in the upper left hand corner of each table indicates the policy year, the type of protection and the table number.

4. POLICY YEAR ENDING IN 1985 -- PRIMARY (First Level) PROTECTION

Type of Liability

POLICY YEAR ENDING IN: 1985 PROTECTION: Primary TABLE: I - A	Comprehensive General Liability	Product Liability	Commercial Auto Liability
-01 Did you need this specific type of liability coverage (CHECK ONE.)			
- Did not need this type (SKIP REST OF COLUMN)	[ ]	[ ]	[ ]
- Needed the insurance but went completely without it (went bare) because: (CHECK ONE - SKIP REST OF COLUMN)			
> too expensive	[ ]	[ ]	[ ]
> inadequate coverage quoted	[ ]	[ ]	[ ]
> could not find any coverage	[ ]	[ ]	[ ]
- Needed and obtained it	[ ]	[ ]	[ ]
-02 How did you obtain it? (CHECK ONE.)			
- Included in general liability coverage - incidental exposure		[ ]	[ ]
- Commercial sources	[ ]	[ ]	[ ]
- Captive insurer	[ ]	[ ]	[ ]
- Self-insured alone	[ ]	[ ]	[ ]
- Self-insured with others	[ ]	[ ]	[ ]
- Through our parent organization	[ ]	[ ]	[ ]
- Other (SPECIFY)	[ ]	[ ]	[ ]
-03 Ending date of policy year	___ MO ___ DA _85_ YR	___ MO ___ DA _85_ YR	___ MO ___ DA _85_ YR
-04 Type of policy (CHECK ONE)			
- Occurrence	[ ]	[ ]	[ ]
- Claims-made	[ ]	[ ]	[ ]
- Not applicable	[ ]	[ ]	[ ]

(CONTINUE ON TO PART B >>>>>)

Type of Liability

POLICY YEAR ENDING IN: 1985 PROTECTION: Primary TABLE: I - B	Comprehensive General Liability	Product Liability	Commercial Auto Liability
-05 Coverage limits (INSERT LIMITS IN COLUMNS BY TYPE OF LIABILITY)			
- Per-occurrence	$ ______	$ ______	$ ______
- Aggregate	$ ______	$ ______	$ ______
- Same as general liability (CHECK)	. . . .	. . . [ ] . . .	. . . [ ] . . .
-06 Deductible or self-insured retention amount (INSERT DEDUCTIBLE IN COLUMNS BY TYPE OF LIABILITY, IF NONE, ENTER '0')			
- Per-occurrence	$ ______	$ ______	$ ______
- Aggregate	$ ______	$ ______	$ ______
- Same as general liability (CHECK)	. . . .	. . . [ ] . . .	. . . [ ] . . .
-07 Premium or contribution to fund for year (INSERT-IF POSSIBLE EXCLUDE NON-LIABILITY PREMIUMS)	$ ______	$ ______	$ ______
- Included in general liability premium(CHECK)	. . . .	. . . [ ] . . .	. . . [ ] . . .
-08 Does the above amount include premiums for non-liability coverage? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-09 Did these provisions meet all your needs for this category of liability? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - insufficient coverage	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - coverage cancelled before end of term	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-10 If all your needs were not met, what portion of your operation went without coverage? (EXPLAIN)			

Type of Liability

POLICY YEAR ENDING IN: 1985 PROTECTION: Primary TABLE: II - A	Directors' and Officers' Liability	Professional (except medical) Liability	Public Officials' Liability
-01 Did you need this specific type of liability coverage (CHECK ONE.)			
- Did not need this type (SKIP REST OF COLUMN)	[ ]	[ ]	[ ]
- Needed the insurance but went completely without it (went bare) because: (CHECK ONE - SKIP REST OF COLUMN)			
> too expensive	[ ]	[ ]	[ ]
> inadequate coverage quoted	[ ]	[ ]	[ ]
> could not find any coverage	[ ]	[ ]	[ ]
- Needed and obtained it	[ ]	[ ]	[ ]
-02 How did you obtain it? (CHECK ONE.)			
- Included in general liability coverage - incidental exposure	. . . .	[ ]	[ ]
- Commercial sources	[ ]	[ ]	[ ]
- Captive insurer	[ ]	[ ]	[ ]
- Self-insured alone	[ ]	[ ]	[ ]
- Self-insured with others	[ ]	[ ]	[ ]
- Through our parent organization	[ ]	[ ]	[ ]
- Other (SPECIFY)	[ ]	[ ]	[ ]
-03 Ending date of policy year	___ MO | ___ DA | 85 YR	___ MO | ___ DA | 85 YR	___ MO | ___ DA | 85 YR
-04 Type of policy (CHECK ONE)			
- Occurrence	[ ]	[ ]	[ ]
- Claims-made	[ ]	[ ]	[ ]
- Not applicable	[ ]	[ ]	[ ]

(CONTINUE ON TO PART B >>>>>)

Type of Liability

POLICY YEAR ENDING IN: 1985 PROTECTION: Primary TABLE: II - B	Directors' and Officers' Liability	Professional (except medical) Liability	Public Officials' Liability
-05 Coverage limits (INSERT LIMITS IN COLUMNS BY TYPE OF LIABILITY)			
- Per-occurrence	$ ______	$ ______	$ ______
- Aggregate	$ ______	$ ______	$ ______
- Same as general liability (CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-06 Deductible or self-insured retention amount (INSERT DEDUCTIBLE IN COLUMNS BY TYPE OF LIABILITY, IF NONE, ENTER '0')	Corporate D/O		
- Per-occurrence	$______ $______	$ ______	$ ______
- Aggregate	$______ $______	$ ______	$ ______
- Same as general liability (CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-07 Premium or contribution to fund for year (INSERT-IF POSSIBLE EXCLUDE NON-LIABILITY PREMIUMS)	$ ______	$ ______	$ ______
- Included in general liability premium(CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-08 Does the above amount include premiums for non-liability coverage? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-09 Did these provisions meet all your needs for this category of liability? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - insufficient coverage	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - coverage cancelled before end of term	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-10 If all your needs were not met, what portion of your operation went without coverage? (EXPLAIN)			

Type of Liability

POLICY YEAR ENDING IN: 1985 PROTECTION: Primary TABLE: III - A	Environmental Liability	Other liability (Specify)	Other liability (Specify)
-01 Did you need this specific type of liability coverage (CHECK ONE.)			
- Did not need this type (SKIP REST OF COLUMN)	[ ]	[ ]	[ ]
- Needed the insurance but went completely without it (went bare) because: (CHECK ONE - SKIP REST OF COLUMN)			
> too expensive	[ ]	[ ]	[ ]
> inadequate coverage quoted	[ ]	[ ]	[ ]
> could not find any coverage	[ ]	[ ]	[ ]
- Needed and obtained it	[ ]	[ ]	[ ]
-02 How did you obtain it? (CHECK ONE.)			
- Included in general liability coverage - incidental exposure	. . . .	[ ]	[ ]
- Commercial sources	[ ]	[ ]	[ ]
- Captive insurer	[ ]	[ ]	[ ]
- Self-insured alone	[ ]	[ ]	[ ]
- Self-insured with others	[ ]	[ ]	[ ]
- Through our parent organization	[ ]	[ ]	[ ]
- Other (SPECIFY)	[ ]	[ ]	[ ]
-03 Ending date of policy year	|____|____|_85_| MO DA YR	|___|____|_85_| MO DA YR	|____|____|_85_| MO DA YR
-04 Type of policy (CHECK ONE)			
- Occurrence	[ ]	[ ]	[ ]
- Claims-made	[ ]	[ ]	[ ]
- Not applicable	[ ]	[ ]	[ ]

(CONTINUE ON TO PART B >>>>>)

Type of Liability

POLICY YEAR ENDING IN: 1985 PROTECTION: Primary TABLE: III - B	Environmental Liability	Other liability (Specify)	Other liability (Specify)
-05 Coverage limits (INSERT LIMITS IN COLUMNS BY TYPE OF LIABILITY)			
- Per-occurrence	$ ______	$ ______	$ ______
- Aggregate	$ ______	$ ______	$ ______
- Same as general liability (CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-06 Deductible or self-insured retention amount (INSERT DEDUCTIBLE IN COLUMNS BY TYPE OF LIABILITY, IF NONE, ENTER '0')			
- Per-occurrence	$ ______	$ ______	$ ______
- Aggregate	$ ______	$ ______	$ ______
- Same as general liability (CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-07 Premium or contribution to fund for year (INSERT- IF POSSIBLE EXCLUDE NON-LIABILITY PREMIUMS)	$ ______	$ ______	$ ______
- Included in general liability premium(CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-08 Does the above amount include premiums for non-liability coverage? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-09 Did these provisions meet all your needs for this category of liability? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - insufficient coverage	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - coverage cancelled before end of term	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-10 If all your needs were <u>not</u> met, what portion of your operation went without coverage? (EXPLAIN)			

5. **POLICY YEAR ENDING IN 1985 -- EXCESS (Above Primary) PROTECTION**

Type of Liability

POLICY YEAR ENDING IN: 1985 PROTECTION: Excess TABLE: IV - A	Comprehensive General Liability	Product Liability	Commercial Auto Liability
-01 Did you need this specific type of liability coverage (CHECK ONE.)			
- Did not need this type (SKIP REST OF COLUMN)	[ ]	[ ]	[ ]
- Needed the insurance but went completely without it (went bare) because: (CHECK ONE - SKIP REST OF COLUMN)			
> too expensive	[ ]	[ ]	[ ]
> inadequate coverage quoted	[ ]	[ ]	[ ]
> could not find any coverage	[ ]	[ ]	[ ]
- Needed and obtained it	[ ]	[ ]	[ ]
-02 How did you obtain it? (CHECK ONE.)			
- Included in general liability coverage - incidental exposure		[ ]	[ ]
- Commercial sources	[ ]	[ ]	[ ]
- Captive insurer	[ ]	[ ]	[ ]
- Self-insured alone	[ ]	[ ]	[ ]
- Self-insured with others	[ ]	[ ]	[ ]
- Through our parent organization	[ ]	[ ]	[ ]
- Other (SPECIFY)	[ ]	[ ]	[ ]
-03 Ending date of policy year	___ | ___ | 85 MO DA YR	___ | ___ | 85 MO DA YR	___ | ___ | 85 MO DA YR
-04 Type of policy (CHECK ONE)			
- Occurrence	[ ]	[ ]	[ ]
- Claims-made	[ ]	[ ]	[ ]
- Not applicable	[ ]	[ ]	[ ]

(CONTINUE ON TO PART B >>>>>)

Type of Liability

POLICY YEAR ENDING IN: 1985 PROTECTION: Excess TABLE: IV - B	Comprehensive General Liability	Product Liability	Commercial Auto Liability
-05 Coverage limits (INSERT LIMITS IN COLUMNS BY TYPE OF LIABILITY)			
- Per-occurrence	$ ______	$ ______	$ ______
- Aggregate	$ ______	$ ______	$ ______
- Same as general liability (CHECK)	. . . .	. . . [ ] . . .	. . . [ ] . . .
-06 Deductible or self-insured retention amount (CHECK IF ON TOP OF PRIMARY, ENTER AMOUNT IF SEPARATE DEDUCTIBLE)	Primary Limits or Other Amount	Primary Limits or Amount	Primary Limits or Amount
- Per-occurrence	[ ] or $______	[ ] or $______	[ ] or $______
- Aggregate	[ ] or $______	[ ] or $______	[ ] or $______
- Same as general liability (CHECK)	. . . .	. . . [ ] . . .	. . . [ ] . . .
-07 Premium or contribution to fund for year (INSERT- IF POSSIBLE EXCLUDE NON-LIABILITY PREMIUMS)	$ ______	$ ______	$ ______
- Included in general liability premium(CHECK)	. . . .	. . . [ ] . . .	. . . [ ] . . .
-08 Does the above amount include premiums for non-liability coverage? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-09 Did these provisions meet all your needs for this category of liability? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - insufficient coverage	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - coverage cancelled before end of term	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-10 If all your needs were <u>not</u> met, what portion of your operation went without coverage? (EXPLAIN)			

Type of Liability

POLICY YEAR ENDING IN: 1985 PROTECTION: Excess TABLE: V - A	Directors' and Officers' Liability	Professional (except medical) Liability	Public Officials' Liability
-01 Did you need this specific type of liability coverage (CHECK ONE.)			
- Did not need this type (SKIP REST OF COLUMN)	[ ]	[ ]	[ ]
- Needed the insurance but went completely without it (went bare) because: (CHECK ONE - SKIP REST OF COLUMN)			
> too expensive	[ ]	[ ]	[ ]
> inadequate coverage quoted	[ ]	[ ]	[ ]
> could not find any coverage	[ ]	[ ]	[ ]
- Needed and obtained it	[ ]	[ ]	[ ]
-02 How did you obtain it? (CHECK ONE.)			
- Included in general liability coverage - incidental exposure		[ ]	[ ]
- Commercial sources	[ ]	[ ]	[ ]
- Captive insurer	[ ]	[ ]	[ ]
- Self-insured alone	[ ]	[ ]	[ ]
- Self-insured with others	[ ]	[ ]	[ ]
- Through our parent organization	[ ]	[ ]	[ ]
- Other (SPECIFY)	[ ]	[ ]	[ ]
-03 Ending date of policy year	___ | ___ | 85 MO DA YR	___ | ___ | 85 MO DA YR	___ | ___ | 85 MO DA YR
-04 Type of policy (CHECK ONE)			
- Occurrence	[ ]	[ ]	[ ]
- Claims-made	[ ]	[ ]	[ ]
- Not applicable	[ ]	[ ]	[ ]

(CONTINUE ON TO PART B >>>>>)

Type of Liability

POLICY YEAR ENDING IN: 1985 PROTECTION: Excess TABLE: V - B	Directors' and Officers' Liability	Professional (except medical) Liability	Public Officials' Liability
-05 Coverage limits (INSERT LIMITS IN COLUMNS BY TYPE OF LIABILITY)			
- Per-occurrence	$ ________	$ ________	$ ________
- Aggregate	$ ________	$ ________	$ ________
- Same as general liability (CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-06 Deductible or self-insured retention amount (CHECK IF ON TOP OF PRIMARY, ENTER AMOUNT IF SEPARATE DEDUCTIBLE)	Primary Limits or Other Amount	Primary Limits or Amount	Primary Limits or Amount
- Per-occurrence	[ ] or $______	[ ] or $______	[ ] or $______
- Aggregate	[ ] or $______	[ ] or $______	[ ] or $______
- Same as general liability (CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-07 Premium or contribution to fund for year (INSERT-IF POSSIBLE EXCLUDE NON-LIABILITY PREMIUMS)	$ ________	$ ________	$ ________
- Included in general liability premium(CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-08 Does the above amount include premiums for non-liability coverage? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-09 Did these provisions meet all your needs for this category of liability? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - insufficient coverage	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - coverage cancelled before end of term	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-10 If all your needs were _not_ met, what portion of your operation went without coverage? (EXPLAIN)			

Type of Liability

POLICY YEAR ENDING IN: 1985 PROTECTION: Excess TABLE: VI - A	Environmental Liability	Other liability (Specify)	Other liability (Specify)
-01 Did you need this specific type of liability coverage (CHECK ONE.)			
- Did not need this type (SKIP REST OF COLUMN)	[ ]	[ ]	[ ]
- Needed the insurance but went completely without it (went bare) because: (CHECK ONE - SKIP REST OF COLUMN)			
> too expensive	[ ]	[ ]	[ ]
> inadequate coverage quoted	[ ]	[ ]	[ ]
> could not find any coverage	[ ]	[ ]	[ ]
- Needed and obtained it	[ ]	[ ]	[ ]
-02 How did you obtain it? (CHECK ONE.)			
- Included in general liability coverage - incidental exposure		[ ]	[ ]
- Commercial sources	[ ]	[ ]	[ ]
- Captive insurer	[ ]	[ ]	[ ]
- Self-insured alone	[ ]	[ ]	[ ]
- Self-insured with others	[ ]	[ ]	[ ]
- Through our parent organization	[ ]	[ ]	[ ]
- Other (SPECIFY)	[ ]	[ ]	[ ]
-03 Ending date of policy year	|___|___|_85_| MO DA YR	|___|___|_85_| MO DA YR	|___|___|_85_| MO DA YR
-04 Type of policy (CHECK ONE)			
- Occurrence	[ ]	[ ]	[ ]
- Claims-made	[ ]	[ ]	[ ]
- Not applicable	[ ]	[ ]	[ ]

(CONTINUE ON TO PART B >>>>>)

Type of Liability

POLICY YEAR ENDING IN: 1985 PROTECTION: Excess TABLE: VI - B	Environmental Liability	Other liability (Specify)	Other liability (Specify)
-05 Coverage limits (INSERT LIMITS IN COLUMNS BY TYPE OF LIABILITY)			
- Per-occurrence	$ ________	$ ________	$ ________
- Aggregate	$ ________	$ ________	$ ________
- Same as general liability (CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-06 Deductible or self-insured retention amount (CHECK IF ON TOP OF PRIMARY, ENTER AMOUNT IF SEPARATE DEDUCTIBLE)	Primary Other Limits or Amount	Primary Limits or Amount	Primary Limits or Amount
- Per-occurrence	[ ] or $______	[ ] or $______	[ ] or $______
- Aggregate	[ ] or $______	[ ] or $______	[ ] or $______
- Same as general liability (CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-07 Premium or contribution to fund for year (INSERT-IF POSSIBLE EXCLUDE NON-LIABILITY PREMIUMS)	$ ________	$ ________	$ ________
- Included in general liability premium(CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-08 Does the above amount include premiums for non-liability coverage? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-09 Did these provisions meet all your needs for this category of liability? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - insufficient coverage	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - coverage cancelled before end of term	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-10 If all your needs were not met, what portion of your operation went without coverage? (EXPLAIN)			

6. **POLICY YEAR ENDING IN 1986 -- PRIMARY (First Level) PROTECTION**

Type of Liability

POLICY YEAR ENDING IN: <u>1986</u> PROTECTION: <u>Primary</u> TABLE: <u>VII - A</u>	Commercial General Liability	Product Liability	Commercial Auto Liability
-01 Did you need this specific type of liability coverage (CHECK ONE.)			
- Did not need this type (SKIP REST OF COLUMN)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- Needed the insurance but went completely without it (went bare) because: (CHECK ONE - SKIP REST OF COLUMN)			
> too expensive	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
> inadequate coverage quoted	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
> could not find any coverage	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- Needed and obtained it	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-02 How did you obtain it? (CHECK ONE.)			
- Included in general liability coverage - incidental exposure	. . . .	. . . [ ] . . .	. . . [ ] . . .
- Commercial sources	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- Captive insurer	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- Self-insured alone	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- Self-insured with others	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- Through our parent organization	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- Other (SPECIFY)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-03 Ending date of policy year	|___|___|_86_| MO DA YR	|___|___|_86_| MO DA YR	|___|___|_86_| MO DA YR
-04 Type of policy (CHECK ONE)			
- Occurrence	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- Claims-made	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- Not applicable	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .

(CONTINUE ON TO PART B >>>>>)

Type of Liability

POLICY YEAR ENDING IN: 1986 PROTECTION: Primary TABLE: VII - B	Commercial General Liability	Product Liability	Commercial Auto Liability
-05 Coverage limits (INSERT LIMITS IN COLUMNS BY TYPE OF LIABILITY)			
- Per-occurrence	$ ______	$ ______	$ ______
- Aggregate	$ ______	$ ______	$ ______
- Same as general liability (CHECK)	. . . .	. . . [ ] . . .	. . . [ ] . . .
-06 Deductible or self-insured retention amount (INSERT DEDUCTIBLE IN COLUMNS BY TYPE OF LIABILITY, IF NONE, ENTER '0')			
- Per-occurrence	$ ______	$ ______	$ ______
- Aggregate	$ ______	$ ______	$ ______
- Same as general liability (CHECK)	. . . .	. . . [ ] . . .	. . . [ ] . . .
-07 Premium or contribution to fund for year (INSERT-IF POSSIBLE EXCLUDE NON-LIABILITY PREMIUMS)	$ ______	$ ______	$ ______
- Included in general liability premium(CHECK)	. . . .	. . . [ ] . . .	. . . [ ] . . .
-08 Does the above amount include premiums for non-liability coverage? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-09 Did these provisions meet all your needs for this category of liability? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - insufficient coverage	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - coverage cancelled before end of term	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-10 If all your needs were <u>not</u> met, what portion of your operation went without coverage? (EXPLAIN)			

Type of Liability

POLICY YEAR ENDING IN: 1986 PROTECTION: Primary TABLE: VIII - A	Directors' and Officers' Liability	Professional (except medical) Liability	Public Officials' Liability
-01 Did you need this specific type of liability coverage (CHECK ONE.)			
- Did not need this type (SKIP REST OF COLUMN)	[ ]	[ ]	[ ]
- Needed the insurance but went completely without it (went bare) because: (CHECK ONE - SKIP REST OF COLUMN)			
> too expensive	[ ]	[ ]	[ ]
> inadequate coverage quoted	[ ]	[ ]	[ ]
> could not find any coverage	[ ]	[ ]	[ ]
- Needed and obtained it	[ ]	[ ]	[ ]
-02 How did you obtain it? (CHECK ONE.)			
- Included in general liability coverage - incidental exposure		[ ]	[ ]
- Commercial sources	[ ]	[ ]	[ ]
- Captive insurer	[ ]	[ ]	[ ]
- Self-insured alone	[ ]	[ ]	[ ]
- Self-insured with others	[ ]	[ ]	[ ]
- Through our parent organization	[ ]	[ ]	[ ]
- Other (SPECIFY)	[ ]	[ ]	[ ]
-03 Ending date of policy year	|____|____|_86_| MO DA YR	|____|____|_86_| MO DA YR	|____|____|_86_| MO DA YR
-04 Type of policy (CHECK ONE)			
- Occurrence	[ ]	[ ]	[ ]
- Claims-made	[ ]	[ ]	[ ]
- Not applicable	[ ]	[ ]	[ ]

(CONTINUE ON TO PART B >>>>>)

Type of Liability

POLICY YEAR ENDING IN: 1986 PROTECTION: Primary TABLE: VIII - B	Directors' and Officers' Liability	Professional (except medical) Liability	Public Officials' Liability
-05 Coverage limits (INSERT LIMITS IN COLUMNS BY TYPE OF LIABILITY)			
- Per-occurrence	$ ________	$ ________	$ ________
- Aggregate	$ ________	$ ________	$ ________
- Same as general liability (CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-06 Deductible or self-insured retention amount (INSERT DEDUCTIBLE IN COLUMNS BY TYPE OF LIABILITY, IF NONE, ENTER '0')	Corporate D/O		
- Per-occurrence	$_____ $_____	$ ________	$ ________
- Aggregate	$_____ $_____	$ ________	$ ________
- Same as general liability (CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-07 Premium or contribution to fund for year (INSERT- IF POSSIBLE EXCLUDE NON-LIABILITY PREMIUMS)	$ ________	$ ________	$ ________
- Included in general liability premium(CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-08 Does the above amount include premiums for non-liability coverage? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-09 Did these provisions meet all your needs for this category of liability? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - insufficient coverage	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - coverage cancelled before end of term	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-10 If all your needs were not met, what portion of your operation went without coverage? (EXPLAIN)			

Type of Liability

POLICY YEAR ENDING IN: 1986 PROTECTION: Primary TABLE: IX - A	Environmental Liability	Other liability (Specify)	Other liability (Specify)
-01 Did you need this specific type of liability coverage (CHECK ONE.)			
- Did not need this type (SKIP REST OF COLUMN)	[ ]	[ ]	[ ]
- Needed the insurance but went completely without it (went bare) because: (CHECK ONE - SKIP REST OF COLUMN)			
> too expensive	[ ]	[ ]	[ ]
> inadequate coverage quoted	[ ]	[ ]	[ ]
> could not find any coverage	[ ]	[ ]	[ ]
- Needed and obtained it	[ ]	[ ]	[ ]
-02 How did you obtain it? (CHECK ONE.)			
- Included in general liability coverage - incidental exposure		[ ]	[ ]
- Commercial sources	[ ]	[ ]	[ ]
- Captive insurer	[ ]	[ ]	[ ]
- Self-insured alone	[ ]	[ ]	[ ]
- Self-insured with others	[ ]	[ ]	[ ]
- Through our parent organization	[ ]	[ ]	[ ]
- Other (SPECIFY)	[ ]	[ ]	[ ]
-03 Ending date of policy year	____ | ____ | 86 MO DA YR	____ | ____ | 86 MO DA YR	____ | ____ | 86 MO DA YR
-04 Type of policy (CHECK ONE)			
- Occurrence	[ ]	[ ]	[ ]
- Claims-made	[ ]	[ ]	[ ]
- Not applicable	[ ]	[ ]	[ ]

(CONTINUE ON TO PART B >>>>>)

	Type of Liability		
POLICY YEAR ENDING IN: 1986 PROTECTION: Primary TABLE: IX - B	Environmental Liability	Other liability (Specify)	Other liability (Specify)
-05 Coverage limits (INSERT LIMITS IN COLUMNS BY TYPE OF LIABILITY)			
- Per-occurrence	$ ________	$ ________	$ ________
- Aggregate	$ ________	$ ________	$ ________
- Same as general liability (CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-06 Deductible or self-insured retention amount (INSERT DEDUCTIBLE IN COLUMNS BY TYPE OF LIABILITY, IF NONE, ENTER '0')			
- Per-occurrence	$ ________	$ ________	$ ________
- Aggregate	$ ________	$ ________	$ ________
- Same as general liability (CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-07 Premium or contribution to fund for year (INSERT-IF POSSIBLE EXCLUDE NON-LIABILITY PREMIUMS)	$ ________	$ ________	$ ________
- Included in general liability premium(CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-08 Does the above amount include premiums for non-liability coverage? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-09 Did these provisions meet all your needs for this category of liability? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - insufficient coverage	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - coverage cancelled before end of term	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-10 If all your needs were not met, what portion of your operation went without coverage? (EXPLAIN)			

7. POLICY YEAR ENDING IN 1986 -- EXCESS (Above Primary) PROTECTION

Type of Liability

POLICY YEAR ENDING IN: 1986 PROTECTION: Excess TABLE: X - A	Commercial General Liability	Product Liability	Commercial Auto Liability
-01 Did you need this specific type of liability coverage (CHECK ONE.)			
- Did not need this type (SKIP REST OF COLUMN)	[ ]	[ ]	[ ]
- Needed the insurance but went completely without it (went bare) because: (CHECK ONE - SKIP REST OF COLUMN)			
> too expensive	[ ]	[ ]	[ ]
> inadequate coverage quoted	[ ]	[ ]	[ ]
> could not find any coverage	[ ]	[ ]	[ ]
- Needed and obtained it	[ ]	[ ]	[ ]
-02 How did you obtain it? (CHECK ONE.)			
- Included in general liability coverage - incidental exposure		[ ]	[ ]
- Commercial sources	[ ]	[ ]	[ ]
- Captive insurer	[ ]	[ ]	[ ]
- Self-insured alone	[ ]	[ ]	[ ]
- Self-insured with others	[ ]	[ ]	[ ]
- Through our parent organization	[ ]	[ ]	[ ]
- Other (SPECIFY)	[ ]	[ ]	[ ]
-03 Ending date of policy year	__ | __ | 86 (MO DA YR)	__ | __ | 86 (MO DA YR)	__ | __ | 86 (MO DA YR)
-04 Type of policy (CHECK ONE)			
- Occurrence	[ ]	[ ]	[ ]
- Claims-made	[ ]	[ ]	[ ]
- Not applicable	[ ]	[ ]	[ ]

(CONTINUE ON TO PART B >>>>>)

Type of Liability

POLICY YEAR ENDING IN: 1986 PROTECTION: Excess TABLE: X - B	Commercial General Liability	Product Liability	Commercial Auto Liability
-05 Coverage limits (INSERT LIMITS IN COLUMNS BY TYPE OF LIABILITY)			
- Per-occurrence	$ ________	$ ________	$ ________
- Aggregate	$ ________	$ ________	$ ________
- Same as general liability (CHECK)	. . . .	. . . [ ] . . .	. . . [ ] . . .
-06 Deductible or self-insured retention amount (CHECK IF ON TOP OF PRIMARY, ENTER AMOUNT IF SEPARATE DEDUCTIBLE)	Primary Limits or Other Amount	Primary Limits or Amount	Primary Limits or Amount
- Per-occurrence	[ ] or $______	[ ] or $______	[ ] or $______
- Aggregate	[ ] or $______	[ ] or $______	[ ] or $______
- Same as general liability (CHECK)	. . . .	. . . [ ] . . .	. . . [ ] . . .
-07 Premium or contribution to fund for year (INSERT- IF POSSIBLE EXCLUDE NON-LIABILITY PREMIUMS)	$ ________	$ ________	$ ________
- Included in general liability premium(CHECK)	. . . .	. . . [ ] . . .	. . . [ ] . . .
-08 Does the above amount include premiums for non-liability coverage? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-09 Did these provisions meet all your needs for this category of liability? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - insufficient coverage	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - coverage cancelled before end of term	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-10 If all your needs were not met, what portion of your operation went without coverage? (EXPLAIN)			

POLICY YEAR ENDING IN: <u>1986</u> PROTECTION: <u>Excess</u> TABLE: <u>XI - A</u>	Type of Liability Directors' and Officers' Liability	Professional (except medical) Liability	Public Officials' Liability
-01 Did you need this specific type of liability coverage (CHECK ONE.)			
- Did not need this type (SKIP REST OF COLUMN)	[ ]	[ ]	[ ]
- Needed the insurance but went completely without it (went bare) because: (CHECK ONE - SKIP REST OF COLUMN)			
> too expensive	[ ]	[ ]	[ ]
> inadequate coverage quoted	[ ]	[ ]	[ ]
> could not find any coverage	[ ]	[ ]	[ ]
- Needed and obtained it	[ ]	[ ]	[ ]
-02 How did you obtain it? (CHECK ONE.)			
- Included in general liability coverage - incidental exposure		[ ]	[ ]
- Commercial sources	[ ]	[ ]	[ ]
- Captive insurer	[ ]	[ ]	[ ]
- Self-insured alone	[ ]	[ ]	[ ]
- Self-insured with others	[ ]	[ ]	[ ]
- Through our parent organization	[ ]	[ ]	[ ]
- Other (SPECIFY)	[ ]	[ ]	[ ]
-03 Ending date of policy year	|____|____|_86_| MO DA YR	|____|____|_86_| MO DA YR	|____|____|_86_| MO DA YR
-04 Type of policy (CHECK ONE)			
- Occurrence	[ ]	[ ]	[ ]
- Claims-made	[ ]	[ ]	[ ]
- Not applicable	[ ]	[ ]	[ ]

(CONTINUE ON TO PART B >>>>>)

Type of Liability

POLICY YEAR ENDING IN: 1986 PROTECTION: Excess TABLE: XI - B	Directors' and Officers' Liability	Professional (except medical) Liability	Public Officials' Liability
-05 Coverage limits (INSERT LIMITS IN COLUMNS BY TYPE OF LIABILITY)			
- Per-occurrence	$ ________	$ ________	$ ________
- Aggregate	$ ________	$ ________	$ ________
- Same as general liability (CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-06 Deductible or self-insured retention amount (CHECK IF ON TOP OF PRIMARY, ENTER AMOUNT IF SEPARATE DEDUCTIBLE)	Primary Limits or Other Amount	Primary Limits or Amount	Primary Limits or Amount
- Per-occurrence	[ ] or $______	[ ] or $______	[ ] or $______
- Aggregate	[ ] or $______	[ ] or $______	[ ] or $______
- Same as general liability (CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-07 Premium or contribution to fund for year (INSERT-IF POSSIBLE EXCLUDE NON-LIABILITY PREMIUMS)	$ ________	$ ________	$ ________
- Included in general liability premium(CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-08 Does the above amount include premiums for non-liability coverage? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-09 Did these provisions meet all your needs for this category of liability? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - insufficient coverage	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - coverage cancelled before end of term	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-10 If all your needs were <u>not</u> met, what portion of your operation went without coverage? (EXPLAIN)			

Type of Liability

POLICY YEAR ENDING IN: 1986 PROTECTION: Excess TABLE: XII - A	Environmental Liability	Other liability (Specify)	Other liability (Specify)
-01 Did you need this specific type of liability coverage (CHECK ONE.)			
- Did not need this type (SKIP REST OF COLUMN)	[ ]	[ ]	[ ]
- Needed the insurance but went completely without it (went bare) because: (CHECK ONE - SKIP REST OF COLUMN)			
> too expensive	[ ]	[ ]	[ ]
> inadequate coverage quoted	[ ]	[ ]	[ ]
> could not find any coverage	[ ]	[ ]	[ ]
- Needed and obtained it	[ ]	[ ]	[ ]
-02 How did you obtain it? (CHECK ONE.)			
- Included in general liability coverage - incidental exposure		[ ]	[ ]
- Commercial sources	[ ]	[ ]	[ ]
- Captive insurer	[ ]	[ ]	[ ]
- Self-insured alone	[ ]	[ ]	[ ]
- Self-insured with others	[ ]	[ ]	[ ]
- Through our parent organization	[ ]	[ ]	[ ]
- Other (SPECIFY)	[ ]	[ ]	[ ]
-03 Ending date of policy year	____ | ____ | _86_ MO DA YR	____ | ____ | _86_ MO DA YR	____ | ____ | _86_ MO DA YR
-04 Type of policy (CHECK ONE)			
- Occurrence	[ ]	[ ]	[ ]
- Claims-made	[ ]	[ ]	[ ]
- Not applicable	[ ]	[ ]	[ ]

(CONTINUE ON TO PART B >>>>>)

POLICY YEAR ENDING IN: 1986 PROTECTION: Excess TABLE: XII - B	Environmental Liability	Other liability (Specify)	Other liability (Specify)
	Type of Liability		
-05 Coverage limits (INSERT LIMITS IN COLUMNS BY TYPE OF LIABILITY)			
- Per-occurrence	$ ______	$ ______	$ ______
- Aggregate	$ ______	$ ______	$ ______
- Same as general liability (CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-06 Deductible or self-insured retention amount (CHECK IF ON TOP OF PRIMARY, ENTER AMOUNT IF SEPARATE DEDUCTIBLE)	Primary Limits or Other Amount	Primary Limits or Amount	Primary Limits or Amount
- Per-occurrence	[ ] or $______	[ ] or $______	[ ] or $______
- Aggregate	[ ] or $______	[ ] or $______	[ ] or $______
- Same as general liability (CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-07 Premium or contribution to fund for year (INSERT-IF POSSIBLE EXCLUDE NON-LIABILITY PREMIUMS)	$ ______	$ ______	$ ______
- Included in general liability premium(CHECK)	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-08 Does the above amount include premiums for non-liability coverage? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-09 Did these provisions meet all your needs for this category of liability? (CHECK ONE)			
- Yes	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - insufficient coverage	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
- No - coverage cancelled before end of term	. . . [ ] . . .	. . . [ ] . . .	. . . [ ] . . .
-10 If all your needs were <u>not</u> met, what portion of your operation went without coverage? (EXPLAIN)			

8. For the policy years ending in 1985 and 1986 did the organization obtain primary and excess coverage from the same or different sources as the previous policy year? (CHECK ONE FOR EACH TYPE OF COVERAGE FOR EACH YEAR)

	Policy Year Ending In 1985		Policy Year Ending In 1986	
Source	Primary	Excess	Primary	Excess
-1 Same source				
-2 Different source				
-3 Some coverage from same source and some from a different source				
-4 Didn't obtain at all (went bare)				

9. Approximately how many hours did the organization and paid consultants to the organization spend seeking the liability coverage (primary and excess combined) the organization needed for policy years ending in 1985 and 1986 whether it was obtained or not?

-1 Policy year ending in 1985 ________ hours

-2 Policy year ending in 1986 ________ hours

10. Listed below are different types of liability coverage. For each,

(1) indicate whether the organization had such coverage during the period from January 1984 to December 1986 and, if so,
(2) indicate the number of times the coverage was cancelled before the end of its term and the number of times it was not renewed at term (enter "0" if none)

	(1)		(2)	
	Coverage During Years? CHECK ONE		Number of Times (ENTER NUMBER)	
Type of Coverage	Yes	No	Cancelled Before Term	Not Renewed At Term
-01 Commercial general liability				
-02 Product liability				
-03 Commercial auto liability				
-04 Directors' and officers' liability				
-05 Professional liability				
-06 Public officials' liability				
-07 Environmental liability				
-08 Other liability (SPECIFY)				
-09 Other (SPECIFY)				
-10 Excess liability (includes umbrella policies)				

11. If you have any comments on any questions in the questionnaire or on liability coverage in general, please state them here.

Survey of Agents and Brokers on Liability Insurance

U.S. GENERAL ACCOUNTING OFFICE

SURVEY OF INSURANCE AGENTS AND BROKERS REGARDING
COMMERCIAL LIABILITY INSURANCE MARKET CONDITIONS

Corrections

If the address on the label is incorrect, please make corrections in the space to the right of the label. This address will be used to mail a summary of the findings to all participants.

This questionnaire asks a series of questions about the availability and affordability (sources, levels of coverage and costs) of liability insurance for calendar years 1985 and 1986 for your clients. Excluded are workers' compensation and medical malpractice insurance. If you are not the appropriate representative of your organization to complete this questionnaire, please forward it to the appropriate person.
Should you have any questions concerning the questionnaire, please call Mia Merrill or Ellen Radish at (202)275-8617.

1. Indicate the name, title and telephone number of the individual we should contact if additional information is required about your responses.

   Name: ______________________

   Title: ______________________

   Telephone Number: __(___)______________________

IF YOU CONDUCT BUSINESS AS BOTH AN AGENT AND A BROKER, PLEASE ANSWER THIS QUESTIONNAIRE FOR THE MAJORITY OF YOUR BUSINESS. FOR EXAMPLE, IF OVER 50 PERCENT OF YOUR BUSINESS IS CONDUCTED AS AN AGENT, ANSWER THE QUESTIONNAIRE AS AN AGENT.

I am answering this questionnaire as an (CHECK ONE):

   Agent ____

   Broker ____

PLEASE ANSWER THE FOLLOWING QUESTIONS FOR YOUR BRANCH OR INDIVIDUAL UNIT IF YOUR AGENCY OR BROKERAGE HAS MULTIPLE LOCATIONS.

BACKGROUND

2. Listed in the table below are three types of insurance, commercial property/casualty, employee benefits programs and personal lines. For each of your agency's or brokerage's fiscal years 1985 and 1986, indicate:

   (1) the annual premium volume (for brokers) or earned premium (for agents) in dollars for each type and

   (2) the percentage of your firm's gross annual revenues attributable to each type.

	FY 1985		FY 1986	
	(1)	(2)	(1)	(2)
Type of Insurance	Annual Premium Earned/ Volume (in $)	Percent of Gross Annual Revenues	Annual Premium Earned/ Volume (in $)	Percent Of Gross Annual Revenues
-1 Commercial Property/ Casualty	$	%	$	%
-2 Employee Benefits Programs	$	%	$	%
-3 Personal Lines	$	%	$	%

3. Is the percent of your gross annual revenues derived from commercial property/casualty business less than 30 percent for either of your fiscal years 1985 or 1986? (REFER TO THE DOUBLED LINE BOXES IN QUESTION 2 AND CHECK ONE BOX BELOW.)

   1. [ ] Yes (STOP FILLING OUT THE QUESTIONNAIRE, RETURN TO GAO IN THE BUSINESS REPLY ENVELOPE)

   2. [ ] No (GO TO QUESTION 4)

4. Approximately how many property/casualty companies did your agency or brokerage represent, through contractual arrangement or otherwise, in 1986?

   _____ companies

5. How many years have you (the respondent) been an agent or a broker?

   _____ years

6. Approximately what per cent of your clients fall into each of the following categories.*

Client Type	Approximate Percent of Your Clients
-1 Clients with less than $500,000 in annual sales/budget.	%
-2 Clients with at least $500,00 but less than $10 million in annual sales/budget	%
-3 Clients with $10 million or more in annual sales/budget	%
	100%

* Not included for NAPSLO respondents.

7. Listed below are several classes of commercial liability insurance. Check the box which best describe the percent of your agency's/ brokerage's annual premium volume attributed to each type for the last three years combined. (CHECK ONE FOR EACH TYPE.)

	(1)	(2)	(3)	(4)	(5)
TYPE OF LIABILITY	NO CLIENTS	01 - 20 %	21 - 40 %	41 - 60 %	OVER 60 %
-1 Commercial General Liability					
-2 Product					
-3 Professional Liability (do not include medical mal-practice)					
-4 Environmental Liability					
-5 Excess (includes umbrella)					
-6 Directors' and Officers					
-7 Commercial Auto					
-8 Other (specify)					

8. Please indicate the extent to which your firm has served these business classifications for the last three years combined. (CHECK ONE FOR EACH TYPE.)

Industry Type	(1) Very Great Extent	(2) Great Extent	(3) Moderate Extent	(4) Some Extent	(5) Little or No Extent
-1 Agriculture, Fishing, Forestry					
-2 Mining					
-3 Construction					
-4 Transportation, Public Utilities					
-5 Wholesale Trade					
-6 Retail Trade					
-7 Manufacturing					
-8 Finance, Insurance Real Estate					
-9 Services (medical, accounting, etc.)					
-10 Public Admin. (cities, schools, etc.)					
-11 Other (please specify)					

QUESTIONS 9 and 10 RELATE TO THE AVAILABILITY AND AFFORDABILITY OF INSURANCE FOR ORGANIZATIONS INSURED THROUGH YOUR AGENCY OR BROKERAGE IN CALENDAR (JANUARY THROUGH DECEMBER) YEARS 1985 AND 1986.

9. For calendar year 1985, please indicate the extent to which each class of liability insurance was available to your customers. Was each class:

(1) available at desired levels,
(2) available with new exclusions and limitations (such as a pollution exclusion or switching to a claims-made policy)
(3) not available at all, or
(4) lacking in enough clients for you to judge?

(CHECK ONE FOR EACH TYPE.)

CALENDAR YEAR 1985 CLASS OF INSURANCE	(1) COVERAGE AVAILABLE AT DESIRED LEVELS	(2) COVERAGE AVAILABLE WITH NEW EXCLUSIONS AND LIMITATIONS	(3) COVERAGE UNAVAILABLE	(4) NOT ENOUGH CLIENTS
-1 Commercial General Liability				
-2 Product Liability				
-3 Professional Liability (do not include medical malpractice)				
-4 Environmental Liability				
-5 Excess Liability				
-6 Directors' and Officers' Liability				
-7 Commercial Auto Liability				
-8 Other (please specify)				

10. For calendar year 1986, please indicate the extent to which each class of liability insurance was available to your customers. Was each class:

(1) available at desired levels,
(2) available with new exclusions and limitations (such as a pollution exclusion or switching to a claims-made policy)
(3) not available at all, or
(4) lacking in enough clients for you to judge?

(CHECK ONE FOR EACH TYPE.)

	(1)	(2)	(3)	(4)
CALENDAR YEAR 1986 CLASS OF INSURANCE	COVERAGE AVAILABLE AT DESIRED LEVELS	COVERAGE AVAILABLE WITH NEW EXCLUSIONS AND LIMITATIONS	COVERAGE UNAVAILABLE	NOT ENOUGH CLIENTS
-1 Commercial General Liability				
-2 Product Liability				
-3 Professional Liability (do not include medical malpractice)				
-4 Environmental Liability				
-5 Excess Liability				
-6 Directors' and Officers' Liability				
-7 Commercial Auto Liability				
-8 Other (please specify)				

11. For each of the types of liability insurance listed below approximately what per cent of your clients decided not to purchase insurance or to purchase less insurance based on price considerations alone in 1985? Indicate the type(s) of client by industry that was affected the most. If affordability was not a problem for your clients, enter "0 %".

CY 1985

TYPE OF INSURANCE	Percent Did Not Buy For Price Reasons	Types of Client Most Affected (specify)
-1 Commercial General Liability	%	
-2 Product Liability	%	
-3 Professional (do not include medical malpractice)	%	
-4 Environmental	%	
-5 Excess Liability	%	
-6 Directors' and Officers'	%	
-7 Commercial Auto	%	
-8 Other (specify)	%	

12. For each of the types of liability insurance listed below approximately what per cent of your clients decided not to purchase insurance or to purchase less insurance based on price considerations alone in 1986? Indicate the type(s) of client by industry that was affected the most. If affordability was not a problem for your clients, enter "0 %".

CY 1986

TYPE OF INSURANCE	Percent Did Not Buy For Price Reasons	Types of Client Most Affected (specify)
-1 Commercial General Liability	%	
-2 Product Liability	%	
-3 Pro-fessional (do not in-clude medical malpractice)	%	
-4 Environ-mental	%	
-5 Excess Liability	%	
-6 Directors' and Officers'	%	
-7 Commercial Auto	%	
-8 Other (specify)	%	

13. Listed below are several types of insurance. For each type, indicate what percent of your clients in CY 1985 were placed in the following markets:

(1) Licensed Insurer
(2) Excess/Surplus Lines Insurer
(3) Other (specify)

If you did not have enough clients requiring a given type of coverage, indicate by checking the appropriate box.

		TYPE OF MARKET (1)	(2)	(3)
CY 1985 Type of Insurance	Not Enough Clients	Licensed Insurer	Excess/ surplus Lines Insurer	Other (enter percent and specify market)
-1 Commercial General Liability		%	%	%
-2 Products		%	%	%
-3 Professional do not include medical malpractice)		%	%	%
-4 Environmental		%	%	%
-5 Excess		%	%	%
-6 Directors' and Officers'		%	%	%
-7 Commercial Auto		%	%	%
-8 Other (specify)		%	%	%

14. Listed below are several types of insurance. For each type, indicate what percent of your clients in CY 1986 were placed in the following markets:

(1) Licensed Insurer
(2) Excess/Surplus Lines Insurer
(3) Other (specify)

If you did not have enough clients requiring a given type of coverage, indicate by checking the appropriate box.

TYPE OF MARKET

CY 1986 Type of Insurance	Not Enough Clients	(1) Licensed Insurer	(2) Excess/surplus Lines Insurer	(3) Other (enter percent and specify market)
-1 Commercial General Liability		%	%	%
-2 Products		%	%	%
-3 Professional do not include medical malpractice)		%	%	%
-4 Environmental		%	%	%
-5 Excess		%	%	%
-6 Directors' and Officers'		%	%	%
-7 Commercial Auto		%	%	%
-8 Other (specify)		%	%	%

15. Have you ever placed liability insurance for a customer through a state-sponsored Market Assistance Plan (MAP) or Joint Underwriting Association (JUA)?

PLACED LIABILITY INSURANCE?
(CHECK ONE)

Insurance Type	(1) No, with neither	(2) Yes, with a MAP	(3) Yes, with a JUA	(4) Yes, with both
-1 Commercial General Liability				
-2 Products				
-3 Professional (do not include medical malpractice				
-4 Environmental				
-5 Excess				
-6 Directors' and Officers				
-7 Commercial Auto				
-8 Other (specify)				

16. If your agency handled liability insurance for any of the selected risks below, estimate the number of facilities (insurers, pools, captives, risk retention groups, etc.) in either the admitted or surplus lines markets offering liability insurance through your organization during 1985 and 1986. If your agency or brokerage did not handle the risk, check the appropriate box.

Type of Risk	(1) Does Not Apply	(2) No. of Facilities 1985	(3) No. of Facilities 1986
-1 Pharmaceuticals			
-2 Hazardous Waste Cleanup			
-3 Day Care			
-4 Municipalities (medium to large)			
-5 Municipalities (small)			
-6 Chemical Manufacturers			
-7 Long-haul Trucks			
-8 Liquor (dramshop)			

****

QUESTIONS 17 AND 18 CONCERN POLICY CANCELLATION AND NONRENEWAL. **IF YOU ARE A BROKER, PLEASE MOVE ON TO QUESTION 19.**

****

17. For the indicated calendar years, estimate the percentage of the agency's clients who experienced policy cancellation or nonrenewal for liability insurance coverage.*

	Percentage of clients
CY 1985	______ %
CY 1986	______ %

(IF YOU ENTERED "0" FOR BOTH YEARS, MOVE ON TO QUESTION 19.)

18. Listed below are a number of reasons why insurers might cancel or not renew a policy. For each of calendar years 1985 and 1986, estimate what percent of your clients' cancellations or nonrenewals (indicated in question 16) were attributable to each reason.

Reason	(1) CY 1985	(2) CY 1986
-1 Nonpayment of premiums	%	%
-2 Cancelled agency contract	%	%
-3 Stopped writing line	%	%
-4 Poor underwriting results	%	%
-5 Other (Specify)	%	%
	100 %	100 %

*Not included in NAPSLO survey.

19. For each type of insurance for the indicated calendar years, estimate the percentage of your clients -- if any -- who self-insured at least some part of their coverage because coverage was (1) not available and/or (2) not affordable. Under self-insurance we include: Captives, risk retention groups, self-insured trust funds, pools, etc. Do not include deductibles, self-insured retentions or going bare (not making any provision for claims payment).*

Percentage of clients
Who Self-Insured

	CY 1985		CY 1986	
Type of Insurance	(1) Not Available	(2) Not Affordable	(1) Not Available	(2) Not Affordable
-1 Commercial General Liability				
-2 Products				
-3 Professional (do not include medical mal-practice				
-4 Environmental				
-5 Excess				
-6 Directors' and Officers'				
-7 Commercial Auto				
-8 Other (specify)				

*Not included in NAPSLO survey.

20. IF YOU HAVE ANY COMMENTS ON ANY QUESTIONS IN THE QUESTIONNAIRE OR ON LIABILITY INSURANCE IN GENERAL, PLEASE WRITE THEM HERE:

Glossary

Aggregate Deductible	A specified dollar amount, applicable to the entire policy, that the policyholder is responsible for paying on claims.
Aggregate Limit	The maximum dollar limit of coverage available for the payment of claims.
Capacity	The largest single dollar limit or the total dollars of insurance or reinsurance a company can write.
Captive	An insurance company organized by a firm or group of firms to insure the risks of its organizers.
Claims-Made Form	A form that covers only those claims filed during the policy period.
Commercial Auto Liability Coverage	Provides coverage for claims resulting from the ownership or operation of a motor vehicle.
Commercial General Liability Coverage (CGL)	A form of coverage for claims arising from the operation of a business, including those related to property, manufacturing operations, contracting operations, and sale or distribution of products.
Directors' and Officers' Liability Coverage	Coverage that protects the policyholder's directors and officers from liability for wrongful acts, errors, and omissions, arising from their organizational activities.
Environmental Liability Coverage	Coverage for loss, damage, or destruction of natural resources arising from the policyholder's operations. This includes the cost of removal and necessary measures taken to minimize or mitigate damage to human health and the natural environment.
Excess Liability Coverage	Insurance coverage over and above any underlying policy or policies (see "Primary Coverage").

Exposure	(1) State of being subject to the possibility of a loss or (2) extent of risk as measured by such standards as payroll, gate receipts, or geographic area.
Flex-Rating	A type of rate regulation designed to curb wide price fluctuations in the cost of insurance. Under flex-rating, as long as price changes are within a specified range, insurers can increase or decrease premium rates without receiving the prior approval of the state insurance department.
Joint Underwriting Association (JUA)	An involuntary association of insurance companies that must provide insurance to those who have been unable to obtain it.
Licensed Insurer	Insurance companies licensed by state insurance departments in the states where the companies do business.
Liquor Liability	Liability for bodily injury or property damage to another caused by an intoxicated person. Establishments needing liquor liability coverage can include (1) clubs, (2) manufacturers, wholesalers, or distributors, (3) restaurants, taverns, hotels, or motels, and (4) package stores.
Market Assistance Program (MAP)	A voluntary program in which insurers, usually at the request of the state insurance department, match consumers having difficulty finding insurance with an insurer offering the appropriate coverage.
Occurrence-Based Form	A form that covers claims filed in relation to injuries, occurring during the policy term, for which claims can be made at any time.
Pooling	The organizing of insurance buyers to obtain coverage on a group basis; the premiums, losses, and expenses are shared in agreed amounts among the pool members.
Primary Coverage	The first layer of insurance coverage, providing coverage up to a specified amount or against specific exposures (see "Exposure").

Product Liability Coverage	Coverage for claims associated with goods manufactured, sold, handled, or distributed by the policyholder or others trading under the policyholder's name.
Professional Liability Coverage	Coverage for liability caused by either a professional's faulty services or failure to meet the standard of service expected under the circumstances.
Property and Casualty Insurance	A method of transferring risk of financial loss sustained by a relative few to the many who buy such insurance. One form of this insurance is third-party liability, which covers claims against the policyholder for bodily injury or property damage suffered by a third party.
Public Official's Liability Coverage	Coverage for the actions of a public official, such as a school administrator, an officer of a local government, or anyone associated with the operation of a government.
Reinsurance	The assumption by one insurer, the reinsurer, of all or part of a risk undertaken by a second insurer. It is a way for the second insurer to reduce the risk of having to pay for large or catastrophic losses.
Risk Class	A person or thing insured, belonging to a specific class of risks, grouped together for rate-making purposes.
Risk Management	The use of appropriate insurance, avoidance of risk, loss control, risk retention, self-insurance, and other techniques that minimize the risks of an individual, a business, or an organization.
Self-Insurance	A form of insurance in which an organization assumes all or part of its own losses. Self-insurers may purchase coverage to cover losses in excess of the self-insured amount.
Surplus Lines Insurers	Insurance companies that are regulated for solvency, but are not regulated for policy forms or rates. These insurers can provide insurance to

the buyer, under certain conditions, when insurance is not available from a licensed insurer.